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## MEDEQUIP FOR TRADING AND CONTRACTING, S.A.E.

STATEMENT OF CASH FLOWS  
for the periods ended December 31, 1997 and 1998

	96 - 97	97 - 98
<b>Cash Flow From Operation</b>		
Net Profit after Tax.....	4,187,563	22,831,929
Posted Profit.....	(84,553)	(4,187,563)
Depreciation.....	—	653,346
Provisions and Reserves.....	3,929,944	10,997,510
Net Operating Profit Before Change in Working Capital.....	8,032,954	30,295,222
Change in Working Capital.....	(36,218,365)	(95,062,035)
Net Cash after Operations.....	(28,185,411)	(64,766,813)
<b>Cash From Investing Activities</b>		
Change in Fixed Assets.....	(2,851,055)	(824,453)
Intangibles.....	4,773,897	769,076
Long Term Lease Receivables.....	(40,054,305)	(58,764,261)
Change in Long Term Investments.....	(3,113,400)	(2,227,760)
Net Cash from Investing Activities.....	(41,244,863)	(61,047,398)
<b>Cash From Financing Activities</b>		
Change in Paid-in Capital.....	—	80,000,000
Change in Long Term Loans.....	35,202,106	45,794,703
Net Cash from Financing Activities.....	35,202,106	125,794,703
Net Cash Flow.....	(34,228,168)	(19,508)
Opening Balance.....	38,651,709	4,423,541
Ending Balance.....	4,423,541	4,404,033

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**Medequip for Trading and Contracting, S.A.E.****NOTES TO THE FINANCIAL STATEMENTS****1) The Company**

Medequip for Trading and Contracting S.A.E., ("Medequip") was incorporated on October 12, 1994 under the Law 159 of 1981. Medequip is principally involved in the following two business activities (i) the sale of medical equipment and (ii) the construction of medical facilities and related construction activities.

**2) Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below.

**a) Basis of Preparation of Financial Statements**

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

**b) Fixed Assets**

Fixed Assets are carried at historical cost and are depreciated using the straight-line method over their expected useful lives, according to the following annual rates:

Assets	Annual Rates
Vehicles .....	25%
Electrical Equipment .....	12.5%
Furniture .....	6%
Office Equipment .....	12.5%
Telephone Switch Pager .....	12.5-25%
Decoration .....	20%
Tools and Fixtures .....	12.5%
Computers .....	12.5%

**c) Inventory**

Inventory is stated at the lower of cost or net realizable value using the first-in first-out method.

**d) Other Assets**

Other Assets represent formation costs incurred for the purpose of establishing the company. These costs are amortized using the straight-line method over a five-year period (20 per cent.).

**3) Fixed Assets**

	Cost as at 12.31.98	Accumulated Depreciation as at 12.31.98	Net Value as at 12.31.98	Net Value as at 12.31.97	Net Value as at 12.31.96
Vehicles.....	3,031,258	974,105	2,057,154	2,202,969	272,864
Electrical Equipment.....	669,737	167,915	501,822	363,102	356,628
Furniture.....	1,403,860	315,087	1,088,773	1,014,171	164,585
Office Equipment.....	116,390	28,729	87,661	48,834	
Telephone Switch and Pager.....	115,124	28,035	87,089	65,456	55,079
Tools and Fixtures.....	71,079	8,411	62,668	19,527	13,849
	<u>5,407,449</u>	<u>1,522,281</u>	<u>3,885,167</u>	<u>3,714,060</u>	<u>863,005</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 142.00.00.00 - Page is valid, no graphics

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**Medequip for Trading and Contracting, S.A.E.****4) Accounts Receivables**

Accounts Receivables comprise the following:

	12.31.98 L.E.
Ministry of Health .....	6,395,931
Ministry of Defence.....	3,375,948
Private Medical Centers .....	2,806,241
Several Hospitals .....	14,637,207
	<u>27,215,327</u>

**5) Lease Receivables**

Lease Receivables represent leasing activity for supplying doctors private practices and medical centers with medical equipment and related spare parts. Average lease terms are five years.

**6) Debtors — Short Term Balances**

Debtors — Short Term Balances comprise the following:

	12.31.98 L.E.
Sales Tax .....	5,763,936
Withholding Tax .....	2,484,365
Deposits with Others.....	1,487,265
Prepaid Expenses .....	1,743,526
Other Debtors .....	12,187,556
	<u>23,666,648</u>

**7) Cash in Hand and at Banks**

	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Letters of Guarantee .....	1,746,087	2,249,854	6,917
Banks — Current Accounts.....	2,321,878	2,168,198	11,064,055
Cash in Hand .....	336,068	5,489	27,580,737
	<u>4,404,033</u>	<u>4,423,541</u>	<u>38,651,709</u>

**8) Due to Banks**

	12.31.9 L.E.	12.31.97 L.E.
Banque du Caire .....	7,460,903	12,680,770
Islamic Banks .....	1,896,107	2,450,807
	<u>9,357,010</u>	<u>15,131,577</u>

**9) Provisions**

	12.31.98 L.E.	12.31.97 L.E.
Doubtful Lease Receivables .....	2,321,106	980,537
Income Tax .....	7,474,723	5,270,507
	<u>9,795,829</u>	<u>6,251,044</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 143.00.00.00 - Page is valid, no graphics

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**Medequip for Trading and Contracting, S.A.E.****10) Capital**

As at December 31, 1998 the Paid-Up Capital totals L.E. 100,000,000 divided into 1,000,000 shares of L.E. 100 per share as follows:

Shareholder's Name and Nationality	Percentage of Participation	Number of Shares	Amount in L.E. 98	Amount in L.E. 97	Amount in L.E. 96
Holding Company for Financial Investments (Lakah Group), S.A.E.....	97.80%	978,000	97,800,000	—	—
Mr. Ramy Lakah — Egyptian .....	1.00%	10,000	1,000,000	9,900,000	9,900,000
Mr. Michel Lakah — Egyptian.....	1.00%	10,000	1,000,000	9,900,000	9,900,000
Mr. Farouk Abdel Samie — Egyptian .....	0.01%	50	5,000	5,000	5,000
Mr. Samy Toutoungy — Egyptian.....	0.20%	1,950	195,000	195,000	195,000
	<u>100%</u>	<u>1,000,000</u>	<u>100,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the shareholders of Trading Medical System Egypt, S.A.E.

We have audited the financial statements of Trading Medical System Egypt, S.A.E. which comprise the balance sheets as at December 31, 1996, 1997 and 1998 and the income statements for the periods ended December 31, 1996, 1997 and 1998 and the statements of cash flows for the periods ended December 31, 1997 and 1998. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Trading Medical System Egypt, S.A.E. as at December 31, 1996, 1997 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the year, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

September 9, 1999

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12/03/1999 08:35

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## TRADING MEDICAL SYSTEM EGYPT, S.A.E.

## BALANCE SHEET

as at December 31, 1996, 1997 and 1998

	(Notes)	12.31.98 U.S.\$	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
<b>Long Term Assets</b>					
Fixed Assets (Net).....	(2B-3)	1,119,706	3,807,000	4,245,133	1,136,499
Deferred Expenses.....		—	—	—	1,698,808
Lease Receivables.....	(4)	20,241,692	68,821,754	78,150,759	—
<b>Total Long Term Assets.....</b>		<b>21,361,398</b>	<b>72,628,754</b>	<b>82,395,892</b>	<b>2,835,307</b>
<b>Current Assets</b>					
Inventory.....	(2C)	9,080,054	30,872,182	32,203,868	37,123,760
Accounts Receivables.....		1,836,969	6,245,694	5,089,272	35,321,976
Lease Receivables.....		3,730,294	12,683,000	11,164,354	—
Letters of Credit.....		—	—	—	28,003,674
Debtors Short Term Balances.....	(5)	7,393,778	25,138,846	4,444,613	1,164,513
Letters of Guarantee (Cash Margin).....		929,235	3,159,400	2,450,520	3,211,635
Cash in Hand and at Banks.....	(6)	805,882	2,740,000	2,881,345	20,229,831
<b>Total Current Assets.....</b>		<b>23,776,212</b>	<b>80,839,121</b>	<b>58,233,972</b>	<b>125,055,389</b>
<b>Current Liabilities</b>					
Due to Banks.....	(7)	13,182,338	44,819,950	27,219,526	97,015,254
Creditors Short-term.....		3,850,939	13,093,194	18,959,955	9,711
Notes Payable.....		—	—	—	3,343,849
Advanced Payments.....		—	—	—	9,376,968
Accounts Payable.....		918,351	3,122,392	9,577,880	—
Provisions.....	(8)	2,749,879	9,349,587	4,211,897	—
<b>Total Current Liabilities.....</b>		<b>20,701,507</b>	<b>70,385,123</b>	<b>59,969,258</b>	<b>109,745,782</b>
<b>Working Capital.....</b>		<b>3,074,705</b>	<b>10,453,998</b>	<b>(1,735,286)</b>	<b>15,309,607</b>
<b>Total Investments.....</b>		<b>24,436,104</b>	<b>83,082,752</b>	<b>80,660,606</b>	<b>18,144,914</b>
<b>Shareholders' Equity</b>					
Issued and Paid-Up Capital.....	(9)	14,705,882	50,000,000	20,000,000	20,000,000
Legal Reserve.....		404,706	1,376,000	207,467	—
Retained Earnings.....		4,499,193	15,297,255	3,941,870	(1,855,086)
<b>Total Shareholder's Equity.....</b>		<b>19,609,781</b>	<b>66,673,255</b>	<b>24,149,337</b>	<b>18,144,914</b>
<b>Long Term Liabilities</b>					
Long Term Loans.....		4,826,323	16,409,497	56,511,269	—
<b>Total Long Term Liabilities.....</b>		<b>4,826,323</b>	<b>16,409,497</b>	<b>56,511,269</b>	<b>—</b>
<b>Total Finance of Working Capital and Long Term Assets.....</b>		<b>24,436,104</b>	<b>83,082,752</b>	<b>80,660,606</b>	<b>18,144,914</b>

The accompanying notes are an integral part of the financial statements.

The auditor's report is attached

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E. 3.40.

BOWNE OF LONDON 12/03/1999 08:33 BL/SM CUMULATIVE NEXT PCN: 146.00.00.00 -- Page is valid, no graphics

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## TRADING MEDICAL SYSTEM EGYPT, S.A.E.

INCOME STATEMENT  
for the periods ended December 31, 1997 and 1998

	12.31.98 U.S.\$	12.31.98 L.E	12.31.97 L.E	12.31.96 L.E
Sales .....	40,832,597	138,830,830	117,182,469	14,235,485
Cost of Sales .....	(30,449,706)	(103,529,000)	(93,350,695)	(11,165,389)
Gross Profit .....	<u>10,382,891</u>	<u>35,301,830</u>	<u>23,831,774</u>	<u>3,070,096</u>
Less				
General and Administrative Expenses .....	2,641,590	8,981,407	8,117,251	1,929,826
Financing Expenses .....	1,750,294	5,951,000	5,110,069	397,390
Provision for Doubtful Debts .....	516,179	1,755,009	1,875,195	
Depreciation of Fixed Assets .....	138,155	469,726	388,133	253,981
Total Expenses .....	<u>5,046,218</u>	<u>17,157,142</u>	<u>15,490,648</u>	<u>2,581,197</u>
Add				
Creditors Interests .....				42,909
Net Profit before Taxes .....	<u>5,336,673</u>	<u>18,144,688</u>	<u>8,341,126</u>	<u>531,808</u>
Income Tax Provision .....	<u>1,653,168</u>	<u>5,620,770</u>	<u>2,336,702</u>	<u>—</u>
Net Profit after Taxes .....	<u>3,683,505</u>	<u>12,523,918</u>	<u>6,004,424</u>	<u>531,808</u>

The accompanying notes are an integral part of the financial statements.

The auditor's report is attached

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40.

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 147.00.00.00 - Page is valid, no graphics

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**TRADING MEDICAL SYSTEM EGYPT, S.A.E.**  
**STATEMENT OF CASH FLOWS**  
**for the periods ended December 31, 1997 and 1998**

	96 - 97	97 - 98
<b>Cash Flow from Operation</b>		
Net Profit after Tax .....	3,941,870	15,297,255
Posted Profit .....	1,855,086	(3,941,870)
Depreciation .....	388,133	469,726
Provisions & Reserves .....	4,419,364	8,751,779
Net Operating Profit before Change in Working Capital .....	10,604,453	20,576,890
Change in Working Capital .....	(4,515,490)	(19,913,875)
Net Cash after Operations .....	6,088,963	663,015
<b>Cash from Investing Activities</b>		
Change in Fixed Assets .....	(3,496,767)	(31,593)
Intangibles .....	1,698,808	—
Long Term Lease Receivables .....	(78,150,759)	9,329,005
Net Cash from Investing Activities .....	(79,948,718)	9,297,412
<b>Cash from Financing Activities</b>		
Change in Paid-in Capital .....	—	30,000,000
Change in Long Term Loans .....	56,511,269	(40,101,772)
Net Cash from Financing Activities .....	56,511,269	(10,101,772)
Net Cash Flow .....	(17,348,486)	(141,345)
Opening Balance .....	20,229,831	2,881,345
Ending Balance .....	2,881,345	2,740,000



BOWNE OF LONDON 12/03/1999 08:35 BLSM CUMULATIVE NEXT PCN: 148.00.00.00 - Page is valid, no graphics

U41077 147.00.00.00 18X

**Trading Medical System Egypt, S.A.E.****NOTES TO THE FINANCIAL STATEMENTS****1) The Company**

Trading Medical System Egypt, S.A.E. ("TMSE") was incorporated on December 17, 1994. Under the Law 159 of 1981. TMSE is involved in marketing, importing, re-exporting, distributing, installing and servicing sophisticated medical imaging equipments.

**2) Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below.

**a) Basis of Preparation of Financial Statements**

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

**b) Foreign Currency Translation**

TMSE maintains its accounts in Egyptian pounds. Transactions denominated in foreign currencies are translated to Egyptian pounds using the prevailing free market rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to Egyptian Pounds using the exchange rates prevailing at the year end. Translation differences are included in the Income Statement.

**c) Fixed Assets**

Fixed Assets are stated at historical cost and are depreciated using the straight-line method over their estimated productive lives, according to the following annual rates.

Fixed Assets	Annual Rates
Vehicles .....	25%
Electrical Equipment .....	12.5%
Furniture .....	6-20%
Iron Safe .....	12.5%
Telephone Switch and Pager .....	12.5%
Decoration .....	20%
Tools and Fixtures .....	12.5%
Computers .....	12.5%
Decoration .....	20%

**d) Inventory**

Inventory is stated at the lower of cost or net realizable value using the first-in first-out method.

**3) Fixed Assets**

	Cost as at 12.31.98 L.E.	Accumulated depreciation as at 12.31.98 L.E.	Net Value as at 12.31.98 L.E.	Net Value as at 12.31.97 L.E.
Vehicles .....	3,548,816	784,668	2,764,148	3,079,079
Electrical Equipment .....	296,038	65,456	230,582	240,582
Furniture .....	1,105,375	598,177	507,197	607,198
Iron Safe .....	17,247	3,813	13,433	14,535
Telephone Switch & Pager .....	312,681	69,136	243,545	253,545
Fire Equipment .....	4,076	901	3,175	3,275
Tools & Fixtures .....	57,600	12,680	44,920	46,920
	<u>5,341,832</u>	<u>1,534,833</u>	<u>3,807,000</u>	<u>4,245,133</u>

**4) Lease Receivables**

TMSE entered into lease contracts through which it leases certain equipment to its clients (Lessees). The leased equipment title passes to the lessee at the end of the lease term (up to five years). Lease receivables represents the total lease payments to be received.

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 149.00.00.00 - Page is valid, no graphics

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**Trading Medical System Egypt, S.A.E.****5) Debtors Short Term Balances**

	12.31.98 L.E.	12.31.97 L.E.
Sales Tax.....	6,408,135	—
Withholding Tax.....	3,743,582	—
Deposits with Others.....	920,282	—
Prepaid Expenses.....	9,074,601	—
Accrued Revenue.....	4,992,246	—
Advance Payments to Suppliers.....	—	4,444,613
	<u>25,138,846</u>	<u>4,444,613</u>

**6) Cash in hand and at Banks**

	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Banks — Current Accounts.....	2,568,000	2,450,516	20,217,217
Cash in Hand.....	172,000	430,829	12,614
	<u>2,740,000</u>	<u>2,881,345</u>	<u>20,229,831</u>

**7) Due To Banks**

	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Banque du Caire.....	44,819,950	2,214,358	—
Islamic Banks.....	—	25,005,168	20,053,574
Other Financial Institutions.....	—	—	76,961,680
	<u>44,819,950</u>	<u>27,219,526</u>	<u>97,015,254</u>

**8) Provisions**

	12.31.98 L.E.	12.31.97 L.E.
Income Tax Provision.....	7,594,579	236,702
Provision for Doubtful Debts.....	1,755,009	1,875,195
	<u>9,349,587</u>	<u>2,111,897</u>

BOWNE OF LONDON 12/03/1999 08:35 BLSM CUMULATIVE NEXT PCN: 150.00.00.00 — Page is valid, no graphics

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## Trading Medical System Egypt, S.A.E.

## 9) Capital

Shareholder's name and nationality:	Percentage of Participation	Number of Shares	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Holding Company for Financial Investments (Lakah Group), S.A.E.....	97.60%	488,000	48,800,000	—	—
Mr. Ramy Lakah — Egyptian .....	0.40%	2,000	200,000	9,900,000	9,900,000
Mr. Michel Lakah — Egyptian.....	0.01%	65	6,500	9,900,000	9,900,000
Mr. Ramy Oda Pacha — Egyptian.....	0.57%	2,825	282,500	195,000	195,000
Mr. Samy Toutoungy — Egyptian.....	0.69%	3,450	345,000	—	—
Mr. Ramy Aziz — Egyptian .....	0.03%	150	15,000	—	—
Mr. Rafik Chehata — Egyptian.....	0.16%	800	80,000	—	—
Mr. Medhat Sobhy — Egyptian.....	0.53%	2,660	266,000	—	—
Mr. Farouk Abdel Samei — Egyptian.....	0.01%	50	5,000	5,000	5,000
	<u>100.00%</u>	<u>500,000</u>	<u>50,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 151.00.00.00 -- Page/graphics valid (12/03/1999 08:35) U41077 150.00.00.00 29X

## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the shareholders of Arab Steel Factory, S.A.E.

We have audited the financial statements of Arab Steel Factory, S.A.E., which comprise the balance sheets as at December 31, 1996, 1997 and 1998 and the income statement for the periods ended December 31, 1998 and the statement of cash flows for the periods ended December 31, 1998. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Arab Steel Factory, S.A.E. as at December 31, 1996, 1997 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the year, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

9 September, 1999

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 152.00.00.00 -- Page is valid, no graphics

U41077 151.00.00.00 24X

## ARAB STEEL FACTORY, S.A.E.

BALANCE SHEET  
as at December 31, 1996, 1997 and 1998

	Notes	12.31.98 U.S.\$	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
<b>Long Term Assets</b>					
Fixed Assets (Net) .....	(2c,3)	61,537,034	209,225,914	218,974,952	61,395,287
Deferred Expenses (Net) .....	(2c,4)	6,673,455	22,689,747	26,108,750	8,478,308
Long Term Investments .....	(5)	36,470,588	124,000,000	—	—
Projects under Construction .....	(6)	5,358,585	18,219,188	20,000	—
<b>Total Long Term Assets .....</b>		<b>110,039,661</b>	<b>374,134,849</b>	<b>245,103,702</b>	<b>69,873,595</b>
<b>Current Assets</b>					
Inventory .....	(2d,7)	22,737,975	77,309,116	73,683,210	—
Accounts Receivables .....	(8)	11,469,009	38,994,632	—	19,105,531
Debtors — Short Term Balances .....		17,809,150	60,551,110	57,726,819	—
Letters of Credit .....		—	—	—	2,024,199
Advance Payments to Suppliers .....		2,054,077	6,983,861	—	—
Cash in Hand and at Banks .....	(9)	666,007	2,264,423	1,856,822	1,219,010
<b>Total Current Assets .....</b>		<b>54,736,218</b>	<b>186,103,143</b>	<b>133,266,851</b>	<b>22,348,741</b>
<b>Current Liabilities</b>					
Accounts Payable .....		—	—	—	12,997,007
Due to Banks .....	(10)	4,523,480	15,379,832	95,235,441	—
Provisions .....		174,568	593,530	—	—
Creditors — Short Term Balances .....		1,764,970	6,000,898	1,277,268	—
Other Creditors .....		492,978	1,676,126	—	1,644,182
<b>Total Current Liabilities .....</b>		<b>6,955,996</b>	<b>23,650,386</b>	<b>96,512,709</b>	<b>14,641,189</b>
<b>Working Capital .....</b>		<b>47,780,223</b>	<b>162,452,757</b>	<b>36,754,142</b>	<b>7,707,552</b>
<b>Total Investments .....</b>		<b>157,819,884</b>	<b>536,587,606</b>	<b>281,857,844</b>	<b>77,581,147</b>
<b>Shareholder's Equity</b>					
Issued and Paid-up Capital .....	(11)	73,529,412	250,000,000	20,000,000	20,000,000
Legal Reserve .....		427,956	1,455,049	—	—
Retained Earnings .....		8,131,159	27,645,939	—	—
Due to Shareholders .....		—	—	103,220,795	—
<b>Total Shareholder's Equity .....</b>		<b>82,088,526</b>	<b>279,100,988</b>	<b>123,220,795</b>	<b>20,000,000</b>
<b>Long Term Liabilities</b>					
Long Term Loans .....	(12)	1,372,824	4,667,603	156,560,925	57,581,147
Bonds .....	(13)	73,529,412	250,000,000	—	—
Creditors — Long Term Balances .....	(14)	829,122	2,819,015	2,076,124	—
<b>Total Long Term Liabilities .....</b>		<b>75,731,358</b>	<b>257,486,618</b>	<b>158,637,049</b>	<b>57,581,147</b>
<b>Total Finance of Working Capital and Long Term Assets .....</b>		<b>157,819,884</b>	<b>536,587,606</b>	<b>281,857,844</b>	<b>77,581,147</b>

The accompanying notes are an integral part of the financial statements.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E. 3.40

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**ARAB STEEL FACTORY, S.A.E.**  
**INCOME STATEMENT**  
**for the periods ended December 31, 1998**

	Notes	12.31.98 U.S.\$	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Net Sales .....		54,933,367	186,773,448	0	0
Cost of Goods Sold.....		(31,877,371)	(108,383,061)	0	0
Less					
Fixed Assets Depreciation .....		(4,054,821)	(13,786,392)	0	0
Pre-Production Tests Amortization .....		(190,389)	(647,324)	0	0
Gross Profit .....		<u>18,810,786</u>	<u>63,956,671</u>	<u>0</u>	<u>0</u>
Less					
General and Administrative Expenses.....		(701,311)	(2,384,457)	0	0
Financing Expenses .....		(8,396,710)	(28,548,813)	0	0
Fixed Assets Depreciation .....		(301,758)	(1,025,977)	0	0
Pre-Opening Expenses Amortization .....		(815,200)	(2,271,679)	0	0
Miscellaneous Revenues .....		172,769	587,414	0	0
Foreign Exchange Differences .....		(34,894)	(118,640)	0	0
Net Profit for the year before Taxes.....		<u>8,733,682</u>	<u>29,694,519</u>	<u>0</u>	<u>0</u>
Sales Tax Provisions.....		(174,568)	(593,530)	0	0
Net Profit for the year after Taxes .....		<u>8,559,114</u>	<u>29,100,989</u>	<u>0</u>	<u>0</u>

*The accompanying notes are an integral part of the financial statements.*

*The auditor's report is attached.*

*Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E. 3.40*

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**ARAB STEEL FACTORY, S.A.E.**  
**STATEMENT OF CASH FLOWS**  
**for the periods ended December 31, 1997 and 1998**

	for the periods ended December 31, 1997 and 1998	
	96-97	97-98
<b>Cash Flow From Operation</b>		
Net Profit after Tax .....	—	29,100,989
Depreciation .....	—	1,025,977
Amortization .....	—	3,797,656
Provisions and Reserves .....	—	593,530
Net Operating Profit Before Change in Working Capital .....	—	34,518,152
Change in Working Capital .....	(28,408,778)	(125,884,544)
Net Cash after Operations .....	(28,408,778)	(91,366,392)
<b>Cash From Investment Activities</b>		
Change in Fixed Assets .....	(157,579,665)	8,723,061
Intangibles .....	(17,630,442)	(378,653)
Change in Long Term Investments .....	—	(124,000,000)
Projects in Progress .....	(20,000)	(18,199,188)
Net Cash from Investment Activities .....	(175,230,107)	(133,854,780)
<b>Cash From Financing Activities</b>		
Change in Paid-in Capital .....	—	230,000,000
Change in Long Term Loans .....	98,979,778	(151,893,322)
Due to Shareholders .....	103,220,795	(103,220,795)
Creditors — Long Term Balances .....	2,076,124	742,891
Issued Bonds .....	—	250,000,000
Net Cash from Financing Activities .....	204,276,697	225,628,774
Net Cash Flow .....	637,812	407,602
Opening Balance .....	1,219,010	1,856,822
Ending Balance .....	1,856,822	2,264,424

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**Arab Steel Factory, S.A.E.****NOTES TO THE FINANCIAL STATEMENTS****1) The Company**

Arab Steel Factory ("Arab Steel") was incorporated in Egypt in December 1994 under the Law 159 of 1981. Arab Steel is a leading manufacturer in Egypt of steel billets for sale in the Egyptian market. Billet is the raw material required for the manufacture of steel rebars, angels and beams.

**2) Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below.

**a) Basis of Preparation of Financial Statements**

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

**b) Accounting Basis**

The accounts are made on the basis of historical cost in accordance with Egyptian Accounting Standards.

**c) Foreign Currency Transactions**

Arab Steel maintains its accounts in Egyptian currency, and it records its foreign currency transactions on the basis of exchange rates at the time of transaction itself. Re-valuation of the accounts is conducted at year-end using the prevailing exchange rates on December 31.

**d) Fixed Assets**

Fixed Assets are recorded at their historical cost, and are depreciated using the straight-line method over their estimated productive life according to the following annual rates:

Fixed Assets	Annual Rates
Buildings.....	2%
Machinery and Equipment.....	10%
Fixtures.....	20%
Office Furniture and Equipment.....	15%
Vehicles.....	20%

**e) Inventory**

Raw Material Inventory is priced at cost on a weighted average basis, and finished goods inventory is priced at cost, including raw materials, direct labor and a share of indirect expenses determined on the basis of the normal activity.

**f) Deferred Expenses**

Pre-Opening Expenses amortized over 7 years.

**3) Fixed Assets**

	Historical Cost L.E.	Accumulated Depreciation L.E.	Net Book Value 98 L.E.	Net Book Value 97 L.E.	Net Book Value 96 L.E.
Land.....	48,997,530	—	48,997,530	48,997,530	2,673,200
Buildings and Constructions.....	14,273,250	261,135	14,012,115	14,262,378	5,265,329
Machinery and Equipment.....	156,325,409	13,786,392	142,539,017	151,106,970	52,312,318
Office Equipment and Fixtures.....	609,740	63,469	546,271	775,721	263,103
Vehicles.....	3,832,354	701,373	3,130,981	3,832,353	881,337
	<u>224,038,283</u>	<u>14,812,369</u>	<u>209,225,914</u>	<u>218,974,952</u>	<u>61,395,287</u>

**4) Deferred Expenses**

	12.31.98 L.E.	12.31.97 L.E.	12.31.96 L.E.
Pre-Operating Expenses.....		21,165,549	8,478,308
Production Tests Period.....		17,201,687	—
Production Tests Revenues.....		(12,258,486)	—
	<u>22,689,747</u>	<u>26,108,750</u>	<u>8,478,308</u>

**5) Long Term Investments**

Long Term Investments amounted to L.E. 124,000,000 representing investments in a new venture, Steel Products Factory, with 49 per cent. of total shares.



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**Arab Steel Factory, S.A.E.****6) Projects under Construction**

Projects under Construction amounted to L.E. 18,219,188 representing the construction of the back house and scrap depot and power station.

**7) Inventory**

	12.31.98 L.E.	12.31.97 L.E.
Raw Materials and Scrap.....	57,275,352	41,820,724
Spare Parts Inventory.....	357,159	278,200
Goods in Transit.....	16,866,243	29,829,250
Finished Goods.....	2,810,362	1,755,036
	<u>77,309,116</u>	<u>73,683,210</u>

**8) Accounts Receivable**

Accounts Receivables comprise the following:

	12.31.98 L.E.
Al Atia.....	5,748,668
El Tensah Co.....	8,019,034
Suez for Iron Production.....	6,849,195
El Dekhila Co.....	9,798,923
Counter Steel Co.....	7,798,929
Others.....	779,883
	<u>38,994,632</u>

**9) Cash in Hand and at Banks**

	12.31.98 L.E.
Banks — Current Accounts.....	539,911
Cash in Hand.....	1,724,512
	<u>2,264,423</u>

**10) Due to Banks**

	12.31.98 L.E.
SAIB-AC/5.....	13,877
SAIB-AC/005.....	15,365,955
	<u>15,379,832</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 157.00.00.00 - Page is valid, no graphics

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**Arab Steel Factory, S.A.E.****11) Capital**

Shareholders Name and Nationality	Percentage of Participation	Number of Shares	Amount in L.E. 98	Amount in L.E. 97	Amount in L.E. 96
The Holding Company for Financial Investments (Lakah Group), S.A.E. ....	97.920%	2,448,000	244,800,000	—	—
Ramy Lakah.....	0.860%	21,500	2,150,000	9,900,000	9,900,000
Michel Lakah.....	1.000%	25,000	2,500,000	9,900,000	9,900,000
Farouk Abdel Samei.....	0.002%	50	5,000	5,000	5,000
Ramy Oda Pacha.....	0.010%	250	25,000	—	—
Samy Toutoungy.....	0.022%	550	55,000	—	—
Ramy Aziz.....	0.014%	350	35,000	—	—
Rafik Chehata.....	0.008%	200	20,000	—	—
Medhat Sobhy.....	0.085%	2,125	212,500	—	—
Ramy Faltas.....	0.079%	1,975	197,500	195,000	195,000
	<u>100.000%</u>	<u>2,500,000</u>	<u>250,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

**12) Long term Loans**

Long Term Loans were paid in full in 1998 using proceeds of the bond issue.

**13) Bonds**

A 7-year L.E. 250 million bond issue with a coupon of 11 per cent.

**14) Creditors — Long Term Balances**

Creditors — Long Term Balances in the amount L.E. 2,819,015 represent total sales tax for importing capital goods (machinery and equipment).

	12.31.98 L.E.	12.31.97 L.E.
Sales Tax Authority .....	2,819,015	2,076,124
	<u>2,819,015</u>	<u>2,076,124</u>

**15) Taxes**

Arab Steel enjoys a tax holiday of 10 years starting from the first operating year (1998).

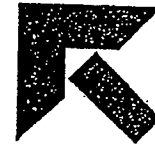
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## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the Board of Directors of Holding Company for Financial Investments (Lakah Group), S.A.E.

We have audited the accompanying consolidated balance sheet of Holding Company for Financial Investments (Lakah Group), S.A.E. and its subsidiaries as at June 30, 1999 and the related consolidated statements of income and cash flows for the six-month period then ended. These consolidated financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holding Company for Financial Investments (Lakah Group), S.A.E. as at June 30, 1999, and the results of their operations and their cash flows for the six-month period then ended in conformity with International Accounting Standards and comply with applicable Egyptian laws and regulations.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

September 9, 1999

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## Independent Auditors' Report

### Mostafa Shawki & Co Deloitte & Touche



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Bank Mist Tower  
P.O. Box 2095  
Cairo 11511

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(02) 392.6000  
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Email: mshawki@mshawki.com

To the Board of Directors  
of the Holding Company for Financial Investments  
Lakah Group  
(S.A.E.)

We have audited the accompanying consolidated balance sheet of the Holding Company for Financial Investments (Lakah Group), S.A.E. as at June 30, 1999 and the related consolidated statements of income and cash flows for the period from January 1, 1999 to June 30, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the eight subsidiaries explained in Note No. 1 (consolidated subsidiaries) which statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the eight subsidiaries, is based solely on the reports of such other auditors.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Holding Company for Financial Investments (Lakah Group), S.A.E. as at June 30, 1999 and the results of their operations and their cash flows for the period from January 1, 1999 to June 30, 1999 in conformity with International Accounting Standards and in compliance with applicable Egyptian laws and regulations.

Mostafa Shawki & Co  
Deloitte & Touche

27 September, 1999

**Deloitte Touche  
Tohmatsu**

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U41077 159.00.00.00 32X

**HOLDING COMPANY FOR FINANCIAL INVESTMENTS  
(LAKAH GROUP), S.A.E.**

**CONSOLIDATED BALANCE SHEET  
as at June 30, 1998**

	Notes	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	Pro forma 31-12-98 L.E.
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalent.....	3	35,803,773	121,732,827	18,165,619	60,292,576
Debtors — Short Term Balances (Net).....	4	146,907,290	499,484,787	506,392,231	495,668,877
Inventory.....	(2-4) 5	88,171,914	299,784,506	194,697,123	194,697,123
Work in Progress.....		50,882,286	172,999,774	109,353,565	104,770,319
<b>Total Current Assets.....</b>		<b>321,765,263</b>	<b>1,094,001,894</b>	<b>828,608,538</b>	<b>855,428,895</b>
<b>Long Term Assets</b>					
Accounts Receivables — Long Term ..	6	53,843,891	183,069,229	167,640,320	167,640,320
Long Term Investments .....	(2-5) 7	96,780,052	329,052,176	262,135,125	258,628,063
Fixed Assets — (Net).....	(2-5) 8	132,919,071	451,924,840	394,603,343	354,338,029
Projects under Construction.....	9	12,357,585	42,015,790	164,982,129	136,506,211
Goodwill.....	10	76,058,795	258,599,902	248,020,160	252,776,691
Deferred Expenses — (Net) .....	(2-7)	9,182,188	31,219,440	38,361,296	34,340,047
<b>Total Long Term Assets.....</b>		<b>381,141,581</b>	<b>1,295,881,377</b>	<b>1,275,742,373</b>	<b>1,204,229,361</b>
<b>Total Assets.....</b>		<b>702,906,844</b>	<b>2,389,883,271</b>	<b>2,104,350,911</b>	<b>2,059,658,256</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Due to Banks.....	11	36,427,809	123,854,551	171,858,623	171,858,623
Current Portion of Long Term Debt ..	15	12,955,244	44,047,830	36,448,677	36,448,677
Creditors Short Term Balances .....	12	9,858,372	33,518,466	178,828,069	177,951,638
Other Credit Balances.....	13	4,227,941	14,375,000	12,933,747	—
Provisions.....	14	15,820,156	53,788,531	22,682,664	22,655,980
<b>Total Current Liabilities.....</b>		<b>79,289,523</b>	<b>269,584,378</b>	<b>422,751,780</b>	<b>408,914,918</b>
<b>Long Term Liabilities</b>					
Long Term Loans .....	15	43,077,207	146,462,505	224,917,977	197,470,161
Bonds .....	16	191,176,471	650,000,000	250,000,000	250,000,000
Creditors — Long Term Balances.....		—	—	13,459,153	13,459,153
<b>Total Long Term Liabilities.....</b>		<b>234,253,678</b>	<b>796,462,505</b>	<b>488,377,130</b>	<b>460,929,314</b>
Minority Interest .....		7,284,618	24,767,702	43,342,001	39,934,024
<b>Shareholders' Equity</b>					
Issued and Subscribed Capital .....	18	441,141,176	1,499,880,000	1,149,880,000	1,149,880,000
Unpaid Installments .....		(92,647,059)	(315,000,000)	—	—
Paid up Capital.....		348,494,118	1,184,880,000	1,149,880,000	1,149,880,000
Net Profit for the Period.....		33,584,908	114,188,686	—	—
<b>Total Shareholders' Equity.....</b>		<b>382,079,025</b>	<b>1,299,068,686</b>	<b>1,149,880,000</b>	<b>1,149,880,000</b>
<b>Total Liabilities and Shareholders' Equity.....</b>		<b>702,906,844</b>	<b>2,389,883,271</b>	<b>2,104,350,911</b>	<b>2,059,658,256</b>

The accompanying notes are an integral part of the financial statements.

Auditor's report attached.

Note: Solely for the convenience of the reader, the Egyptian pounds into U.S. Dollars translation has been made at the rate of U.S.\$1.00 = L.E. 3.40.

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS  
(LAKAH GROUP), S.A.E.**

**CONSOLIDATED INCOME STATEMENT  
for the period from January 1, 1999 to June 30, 1999**

	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	Proforma 31-12-98 L.E.
Net Sales .....	218,862,540	744,132,637	674,363,025	649,908,794
Less				
Cost of Sales .....	(143,968,929)	(489,494,360)	(450,768,617)	(439,003,194)
Gross Profit .....	<u>74,893,611</u>	<u>254,638,277</u>	<u>223,594,408</u>	<u>210,905,600</u>
Less				
General and Administrative Expenses .....	13,005,745	44,219,534	40,239,567	40,239,567
Financing Expenses .....	10,967,098	37,288,132	57,929,846	57,929,846
Depreciation and Amortization .....	3,738,834	12,712,034	1,495,703	1,495,703
Foreign Exchange Loss .....	43,264	147,096	353,010	353,010
Provision for Doubtful Debts .....	1,894,588	6,441,599	4,997,615	4,997,615
Total Expenses .....	<u>29,649,528</u>	<u>100,808,395</u>	<u>105,015,741</u>	<u>105,015,741</u>
Net Profit for the Period before Minority				
Interest and Income Taxes .....	45,244,083	153,829,882	118,578,667	105,889,859
Minority Interest .....	(980,408)	(3,333,386)	(4,368,275)	(4,219,614)
Provision for Income Taxes .....	<u>(10,678,768)</u>	<u>(36,307,810)</u>	<u>(20,980,046)</u>	<u>(15,650,747)</u>
Net Profit for the Period .....	<u>33,584,908</u>	<u>114,188,686</u>	<u>93,230,346</u>	<u>86,019,498</u>
Earnings per Share .....	0.22	0.76	0.81	0.75

Note: Solely for the convenience of the reader, the Egyptian pounds into U.S. Dollars translation has been made at the rate of U.S.\$1.00 = L.E.3.40

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS  
(LAKAH GROUP), S.A.E.**

**CONSOLIDATED CASH FLOW STATEMENT  
for the period from January 1, 1999 to June 30, 1999**

	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.
<b>Cash Flows from Operating Activities</b>			
Net Profit after Taxes .....	33,584,908	114,188,686	93,230,346
Adjustments for —			
Depreciation and Amortization .....	7,250,937	24,653,185	1,495,703
Minority Interest .....	980,408	3,333,386	4,368,275
Provisions .....	10,678,768	36,307,810	20,980,046
Provision for Doubtful Accounts .....	1,894,588	6,441,599	4,997,615
Net Profit before Working Capital Changes — .....	54,389,608	184,924,666	125,071,985
Increase in Inventory .....	(30,908,054)	(105,087,383)	(194,697,123)
Increase in Work in Progress .....	(18,719,473)	(63,646,209)	(109,353,565)
Decrease in Debtors — Short Term Balances .....	137,013	465,845	(511,389,846)
Decrease in Creditors — Short Term .....	(42,738,119)	(145,309,603)	178,828,069
Decrease in Other Credit Balances .....	423,898	1,441,253	12,933,747
Decrease in Due to Banks .....	(14,118,845)	(48,004,072)	171,858,623
Increase in Accounts Receivables .....	(4,537,914)	(15,428,909)	(167,640,320)
Decrease in Provisions .....	(1,529,983)	(5,201,943)	1,702,618
Net Cash (used in) Operating Activities .....	(57,601,869)	(195,846,355)	(492,685,812)
<b>Cash Flows from Investing Activities</b>			
Purchase of Fixed Assets .....	(20,059,429)	(68,202,059)	(395,748,796)
Change in Projects under Construction .....	36,166,570	122,966,339	(164,982,129)
Change in Goodwill .....	(5,061,914)	(17,210,509)	(341,250,506)
Change in Deferred Expenses .....	—	—	(38,711,546)
Increase in Long Term Investment .....	(19,681,486)	(66,917,051)	(262,135,125)
Net Cash (used in) Investing Activities .....	(8,636,259)	(29,363,280)	(1,202,828,102)
<b>Cash Flows from Financing Activities</b>			
Increase in Paid-in Capital .....	10,294,118	35,000,000	1,149,880,000
Decrease in Long Term Loan .....	(23,075,139)	(78,455,472)	224,917,977
Proceeds from Bonds .....	117,647,059	400,000,000	250,000,000
Change in Minority Interest .....	(6,443,437)	(21,907,685)	38,973,726
Decrease in Creditors — Long Term Balances .....	(3,958,574)	(13,459,153)	13,459,153
Payment of Current Portion of Long Term Debt .....	2,235,045	7,599,153	36,448,677
Net Cash Provided by Financing Activities .....	96,699,071	328,776,843	1,713,679,533
Net Increase in Cash and Cash Equivalents .....	30,460,944	103,567,208	18,165,619
Cash in Hand and at Banks at the Beginning of Period .....	5,342,829	18,165,619	—
Cash in Hand and at Banks at the End of Period .....	35,803,773	121,732,827	18,165,619

Note: Solely for the convenience of the reader, the Egyptian pounds into U.S. Dollars translation has been made at the rate of  
U.S.\$1.00 = L.E.1.40

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**Holding Company for Financial Investments (Lakah Group), S.A.E.****NOTES TO THE CONSOLIDATED FINANCIAL POSITION**  
**For the period from January 1, 1999 to June 30, 1999****1 — The Company**

The Holding Company for Financial Investments (Lakah Group) S.A.E. was incorporated in Egypt on November 29, 1998 under Law No. 95 of 1992 and its regulations. The purpose of the company is to participate in the formation of companies using securities, or increasing their capital. The company is allowed to form or join with other companies operating in any business field, and companies that help such companies achieve their target, inside or outside Egypt. Also the company is allowed to merge with or acquire existing companies according to the companies operating procedures.

The company's first legal financial positions are to be prepared for the period from November 29, 1998 to December 31, 1999.

At June 30, 1999, the Holding Company for Financial Investments S.A.E., hereunder called the Parent Company, owns the following consolidated subsidiaries:

	% of Shares
Trading Medical Systems Egypt — S.A.E. ....	97.60%
Medequip for Trading and Contracting — S.A.E. ....	97.80%
Amitrade for Commerce and Contracting — S.A.E. ....	97.02%
Industrial Investment Company — S.A.E. ....	97.98%
Arab Steel Factory — S.A.E. ....	97.92%
Industrial Consumer Company — S.A.E. ....	97.95%
Quest Consult — S.A.E. ....	97.46%
Medical Centers Management — S.A.E. ....	97.98%

**2 — Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the consolidated financial position are set out below.

**2 — 1 Foreign Currency Translation**

The subsidiaries accounts are maintained in Egyptian pounds. Transactions denominated in foreign currencies were translated at the prevailing exchange rates as at June 30, 1999 declared by the free foreign exchange market.

At the financial position date, assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. The exchange differences are recorded in the Income Statement.

**2 — 2 Basis of preparing the financial position:**

The financial positions of the subsidiaries are prepared according to the Egyptian Accounting Standards. The consolidated financial position is prepared according to the International Accounting Standards. The Parent Company's financial position includes the balances of assets and liabilities of the nine companies as at June 30, 1999, as well as sales, cost of sales and operating expenses for the period from January 1, 1999 to June 30, 1999. Except for the ICC, which capitalized all expenses, listed as (Deferred Expenses) in the financial position.

**2 — 3 Principles of Consolidation**

The consolidated financial position includes all subsidiaries controlled by the Parent Company. The basis of the consolidation is as follows:

- All intergroup balances and transactions are eliminated.
- Minority interest represents equity held by other shareholders in subsidiaries controlled by the Parent Company. It appears as a separate item in the consolidated financial position and is calculated as net assets and results of operations of Subsidiaries attributable to interest, which are not owned, directly or indirectly by the Parent Company.



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**Holding Company for Financial Investments (Lakah Group), S.A.E.**

## • The cost of acquisition is allocated as follows:

- a) The fair value of the assets and liabilities acquired as of the date of the exchange to the extent of the Parent Company's interest obtained in the exchange transactions.
- b) The excess of the cost of acquisition over the Parent Company's interest in the fair value of the identifiable assets and liabilities acquired as of the date of acquisition is recognized as goodwill and amortized over the period of 20 years starting from January 1, 1999.
- c) The excess of the Parent Company's interest in the fair value of the identifiable assets and liabilities at the date of acquisition over the acquisition cost is recognized as a negative goodwill and amortized over a period of 20 years starting from January 1, 1999.
- d) Affiliates of subsidiaries owned by more than 50% and controlled by the subsidiaries are consolidated on the same basis.

**2 — 4 Inventories**

Inventories of raw material spare parts and supplies are stated at cost. Inventories of finished goods are stated at the lower of cost and net realizable value. Cost is determined by using the average cost method.

**2 — 5 Long-Term Investments**

Long-Term Investments in companies, which are not controlled by the Parent Company, are recorded at actual cost at the date of acquisition.

**2 — 6 Fixed Assets and Depreciation**

Fixed Assets are recorded at the historical cost and are depreciated by the straight-line method over the estimated productive life for each type of asset at the following annual rates:

Buildings and Construction.....	2.5% - 10%
Machinery and Equipment.....	5% - 10%
Vehicles.....	20% - 25%
Tools and Supplies.....	10% - 20%
Furniture and Office Equipment.....	10% - 25%

**2 — 7 Deferred Expenses**

Deferred Expenses represent corporate establishment and pre-operating expenses. These expenses are amortized using the straight-line method over a five-year period (20%) starting from the first financial year.

**2 — 8 Cash Flow Statement**

Cash Flow Statement is prepared using the indirect method.

**2 — 9 Taxation**

A tax provision is formed to meet tax obligations based on detailed studies for each claim. Due to the nature of the Egyptian tax laws and legislation, applying the principles of the deferred taxes according to the International Accounting Standards "Taxes on Income", will not usually result in any material deferred tax liabilities. Further, if the application results in deferred tax, assets will be recognized in the financial position whenever there is a sufficient assurance that these assets will be realized in the foreseeable future.

**3 — Cash and Cash Equivalent:**

Cash and Cash Equivalent as of June 30, 1999 amounting to L.E.121,732,827 represent the following:

	L.E.	U.S.\$
Banks Current Accounts .....	57,470,032	16,902,951
Cash in Hand.....	1,543,668	454,020
Bank Deposit.....	62,381,557	18,347,517
Letters of Guarantee (Cash Margins).....	337,570	99,285
	<u>121,732,827</u>	<u>35,803,773</u>

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**Holding Company for Financial Investments (Lakah Group), S.A.E.****4 — Debtors — Short Term Balances:**

Debtors Short Term balances as of June 30, 1999 amounting to L.E.499,484,787 represent the following:

	L.E.	U.S.\$
Letters of Credit.....	3,280,000	964,706
Accounts Receivables.....	246,520,399	72,506,000
Lease Receivables.....	28,199,407	8,293,943
Debtors.....	104,510,807	30,738,473
Suppliers Debit Balances.....	74,597,671	21,940,492
Letters of Guarantee.....	6,461,894	1,900,557
Other Debit Balances.....	29,521,933	8,682,921
Cheques under Collection.....	17,913,298	5,268,617
	<u>511,005,409</u>	<u>150,295,709</u>
Less — Provision for Doubtful Debts	(11,520,622)	(3,388,419)
	<u>499,484,787</u>	<u>146,907,290</u>

**5 — Inventory:**

Inventory Balance as of June 30, 1999 amounting to L.E.299,784,506 represents the following:

	L.E.	U.S.\$
Raw-Material and Scrap.....	137,691,490	40,497,497
Supplies.....	6,915,151	2,033,868
Spare Parts.....	61,492,606	18,086,061
Packing Materials.....	1,010,190	297,115
Work in Progress.....	45,813	13,474
Medical Equipment.....	42,456,948	12,487,338
Finished Goods.....	17,207,363	5,060,989
Goods in Transit.....	32,964,945	9,695,572
	<u>299,784,506</u>	<u>88,171,914</u>

**6 — Accounts Receivables — Long Term:**

Accounts Receivables — Long Term represents Lease Receivables for Medical Equipment amounting to L.E.183,069,229 for more than one year. An additional portion, due in 1999 amounting to L.E.28,199,407 are included in the Current Assets — Debtors' Short-Term Balances.

**7 — Long Term Investments:**

Long Term Investments Balance as of June 30, 1999 amounting to L.E.329,052,176 represents the following:

	Investment Ratio %	L.E.	U.S.\$
<b>Associated Companies:</b>			
Suez Company for Iron Works — <i>Egyptian Joint Stock Co.</i> .....	49%	53,628,173	15,772,992
Total Associated Companies.....		<u>53,628,173</u>	<u>15,772,992</u>
<b>Other Companies:</b>			
Arab Cast Iron & Steel Products Factory — <i>Egyptian Joint Stock Co.</i> .....	49%	124,000,000	36,470,588
International Co. For Producing Modern Pipes and Fittings (RIGO) S.A.E.....		3,000,000	882,353
Tanta Scan Co.....	10.8%	541,160	159,165
Incolase Co.....	9%	1,800,000	529,412
Helio Medical Co.....	46.89%	65,082,843	19,142,013
Total Other Companies.....		<u>194,424,003</u>	<u>57,183,530</u>
Detergent Factory — Industrial Investment Company — <i>Egyptian Joint Stock Co.</i> .....		81,000,000	23,823,529
Grand Total.....		<u>329,052,176</u>	<u>96,780,052</u>

\* The factory is rented to a third party (Newlit)

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**Holding Company for Financial Investments (Lakah Group), S.A.E.****8 — Fixed Assets (Net):**

Fixed Assets (Net) as of June 30, 1999 amounting to L.E.451,924,840 comprise the following:

	Land L.E.	Build. & Cons. L.E.	Mach. & Equip. L.E.	Tools & Supp. L.E.	Furn. & Off. Equip. L.E.	Vehicles L.E.	Total L.E.
Cost at Beginning of Period.....	139,067,556	44,938,399	199,462,363	422,363	4,936,902	32,163,858	420,991,441
Additions .....	7,843,053	20,711,633	36,215,404	1,164,098	3,108,642	7,182,781	76,225,611
Disposals.....	0	0	0	0	0	0	0
Cost at End of Period .....	146,910,609	65,650,032	235,677,767	1,586,461	8,045,544	39,346,639	497,217,052
Accrued Depreciation at the							
Beginning of Period.....	0	1,992,054	16,165,705	32,152	1,344,971	6,853,216	26,388,098
Depreciation.....	0	1,412,639	12,917,546	173,089	419,890	3,980,949	18,904,113
Disposal Depreciation .....	0	0	0	0	0	0	0
Accrued Depreciation at the							
End of Period .....	0	3,404,693	29,083,251	205,241	1,764,861	10,834,165	45,292,212
Net Book Value L.E. ....	146,910,609	62,245,339	206,594,516	1,381,220	6,280,683	28,512,474	451,924,840
Net Book Value U.S.\$ .....	43,209,003	18,307,453	60,763,093	406,241	1,847,260	8,386,022	132,919,072

**9 — Projects Under Construction:**

Projects under construction as of June 30, 1999 amounting to L.E.42,015,790 represent the costs incurred for developing projects that are still under progress at the financial position date, which comprises the following projects:

	L.E.	U.S.\$
Acryline Factory — Quest Consult S.A.E. ....	8,202,350	2,412,456
Parking Area and Service Centers — Universal High Load Trucking S.A.E.....	33,813,440	9,945,129
	<u>42,015,790</u>	<u>12,357,585</u>

**10 — Goodwill:**

Goodwill, net of negative Goodwill, amounting to L.E.258,599,902 resulted from the acquisition of several percentages of the Parent Company subsidiaries which comprises the following:

	L.E.	U.S.\$
Arab Steel Factory S.A.E.....	202,338,200	59,511,235
Industrial Consumer Company S.A.E. ....	32,734	9,628
Amitrade for Commerce and Contracting .....	(6,269,546)	(1,843,984)
Quest Consult S.A.E. ....	(5,812,737)	(1,709,629)
Industrial Investment Company S.A.E. ....	28,595	8,410
Medical Centers Management S.A.E.....	(1,587,193)	(466,821)
Trading Medical Systems S.A.E.....	23,626,136	6,948,864
Medequip for Trading and Contracting S.A.E.....	52,874,480	15,551,318
	<u>265,230,669</u>	<u>78,009,021</u>
Amortization.....	(6,630,767)	(1,950,226)
	<u>258,599,902</u>	<u>76,058,795</u>

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**Holding Company for Financial Investments (Lakah Group), S.A.E.****11 — Due to Banks:**

Due to Banks balance as of June 30, 1999 amounting to L.E.123,854,551 represents the following:

	L.E.	U.S.\$
Bank Overdrafts .....	11,231,351	3,303,338
Islamic Banks Morabhat .....	81,659,562	24,017,518
Banks — Refinance of Letters of Credit .....	30,963,638	9,106,953
	<u>123,854,551</u>	<u>36,427,809</u>

**12 — Creditors — Short Term Balances:**

Creditors — Short Term Balances as of June 30, 1999 amounted to L.E. 33,518,466 represents the following:

	L.E.	U.S.\$
Notes Payable .....	1,689,496	496,911
Creditors .....	12,438,878	3,658,493
Accounts Payable .....	17,897,964	5,264,107
Other Credit Balances .....	1,492,128	438,861
	<u>33,518,466</u>	<u>9,858,372</u>

**13 — Other Credit Balances:**

Other Credit Balances as of June 30, 1999 amounting to L.E.14,375,000 comprise the following:

	L.E.	U.S.\$
Bonds Interest Accruals .....	14,375,000	4,227,941
	<u>14,375,000</u>	<u>4,227,941</u>

**14 — Provisions:**

Provisions amounting to L.E.53,788,531 are for Corporate Tax and against other tax claims.

**15 — Long Term Loans**

Long Term Loans balance as of June 30, 1999 amounting to L.E.146,462,505 represents the following:

Notes	Amount Of Outstanding Long Term Portion	Interest Rates	Currency	Lending Institution	Company
— Pledge of medical equipment insurance of 120%	24,951,102	1% Over Libor	USD	Banque du Caire:	Medequip For
— Endorsement of Promissory notes (Maturity 60 months)		0.75% Commission on Highly Debit Balance Monthly Charged			Trading & Contracting
— Pledge of medical equipment insurance of 120%	13,577,838	13.50%	LE	Banque du Caire:	
— Endorsement of Promissory notes (Maturity 60 months)		0.75% Commission on Highly Debit Balance Monthly Charged			
Assignment of proceeds for contracts exceeding one year	29,470,010	12.50%	LE	National Bank of Egypt	
		0.1% Commission on Highly Debit Balance Monthly Charged			
— Pledge of medical equipment insurance of 120%	26,658,880	0.75% Over Libor	USD	National Bank of Egypt	
— Endorsement of Promissory notes (Maturity 6 year)		0.1% Commission on Highly Debit Balance Monthly Charged			
— Pledge of medical equipment insurance of 120%	43,601	12.50%	LE	Egyptian British Bank	
— Endorsement of Promissory notes (Maturity 60 months)		0.6% Commission on Highly Debit Balance Monthly Charged			

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**Holding Company for Financial Investments (Lakah Group), S.A.E.**

Notes	Amount Of Outstanding Long Term Portion	Interest Rates	Currency	Lending Institution	Company
— Pledge of medical equipment insurance of 120%	8,015,053	LE 11% And or \$1% Over Libor	USD or LE	Arab African Bank	
— Endorsement of Promissory notes (Maturity 60 months)		0.6% Commission on Highly Debit Balance Monthly Charged			
— Pledge of medical equipment insurance of 120%	14,832,463	12.25%	LE	Banque du Caire:	Trading Medical Systems
— Endorsement of Promissory notes (Maturity 60 months)		0.75% Commission on Highly Debit Balance Monthly Charged			
Term Loan To Finance Receivables with Maturity Up To 1 Year	10,827,516	LE 12% And or \$1.5% Over Libor	USD or LE	Export Development Bank of Egypt	
Up To 2 Years		1.35% Commission on Highly Debit Balance Monthly Charged			
Up To 3 Years					
— Pledge of medical equipment insurance of 120%	13,228,343	LE 11% And/or \$1% Over Libor,	LE or USD	Arab African Bank	
— Endorsement of Promissory notes (Maturity 60 months)		0.6% Commissions on a Highly Debit Balance Monthly Charged			
5 Years Term Loan	4,857,699	14%	LE	Mohands Bank	International High load Trucking Company
Total .....	146,462,505				

— The current portion of the above-mentioned long-term loans has reached L.E.44,047,830 and is included under separate caption in the Balance Sheet (Current Portion of Long Term Debt).

**16 — Bonds:**

Bonds as of June 30, 1999 amounting to L.E.650,000,000 represent the following:

- Bonds amounting to L.E.250,000,000 were issued by the Arab Steel Factory S.A.E. These bonds are non-convertible into marketable common stock, and they hold a fixed annual interest rate of 11.5 per cent. The subscription started July 1998 for 7 years.
- Bonds amounting to L.E.400,000,000 and they were issued by the Parent Company. These bonds are non-convertible into marketable common stock, and they hold a fixed annual interest rate of 11.5 per cent. The subscription starts at 1999 for 7 years.

**17 — Issued & Paid-Up Capital:**

The authorized capital amounts to L.E.5,000,000,000, The subscribed and issued capital amounts to L.E.1,499,880,000 is divided into 149,988,000 shares at a par value of L.E.10 each as follows:

Shareholder's name:	Percentage of Participation	Number of Shares	Amount in L.E.	Amount in \$
Mr. Ramy Lakah .....	49.9990%	74,992,450	749,924,500	220,566,029
Mr. Michel Lakah .....	42.3330%	63,494,950	634,949,500	186,749,853
Banque du Caire .....	7.66600%	11,498,800	114,988,000	33,820,000
Mr. Sami Philip Totongy .....	0.00070%	1,000	10,000	2,941
Mr. Ismail Saleh Mohamed Ghonaim Abdon .....	0.00003%	50	500	147
Mr. Gamal Mohamed Anwar El Sadat .....	0.00003%	50	500	147
Mr. Ramy Mostafa Fadel Aoda Basha .....	0.00003%	50	500	147
Mr. Abd El Kader Mohamed Farid Abd El Kader .....	0.00003%	50	500	147
Mr. Farouk Abd El Sameea Hasan Mohamed .....	0.00030%	500	5,000	1,471
Mr. Mohamed Aly Hamza Khidr .....	0.00003%	50	500	147
Mr. Medhat Sobhi Michael .....	0.00003%	50	500	147
Total .....	100.0000%	149,988,000	1,499,880,000	441,141,176

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**Holding Company for Financial Investments (Lakah Group), S.A.E.**

- According to the meeting of the board of directors dated June 28, 1999 the issued capital was increased by L.E.350,000,000 divided into 35,000,000 shares, at a par value of L.E.10.

Only 10% of the capital increase, amounted to L.E.35,000,000 were paid, so the paid-up capital increased to reach L.E.1,184,880,000.

**18 — Commitments Contingent Liabilities:**

Letters of Guarantee issued by banks for the Group's accounts in favor of others as at June 30, 1999 with cash margin of L.E.337,570

**19 — Earnings per Share**

Earnings per Share are calculated as follows:

	L.E.	U.S.\$
Net Profit for the Period.....	114,188,686	33,584,908
Number of Shares .....	149,988,000	149,988,000
Earnings per Share.....	0.76	0.22

**20 — Subsidiary Companies:**

The financial positions of Industrial Investment Company S.A.E. ("IIC") are consolidated with those of Universal High Load Trucking S.A.E in which IIC owns a majority share holding exceeding 97.74%.

## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the shareholders of Medequip for Trading and Contracting, S.A.E.

We have audited the financial statements of Medequip for Trading and Contracting, S.A.E. which comprise the balance sheets as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Medequip for Trading and Contracting, S.A.E. as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

September 9, 1999

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## MEDEQUIP FOR TRADING AND CONTRACTING, S.A.E.

FINANCIAL POSITION  
as at June 30, 1999

	Notes	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	30-6-98 L.E.
<b>Assets</b>					
<b>Current Assets</b>					
Inventory .....	(2C,3)	32,885,465	111,810,581	68,862,103	60,115,762
Work in Progress .....	(4)	38,081,391	129,476,730	67,763,280	56,347,795
Accounts Receivables (Net) .....	(5)	25,525,817	86,787,778	27,215,327	22,792,152
Lease Receivables .....	(6)	4,750,661	16,152,247	15,021,392	13,632,914
Debtors — Short Term Balances .....	(7)	12,665,324	43,062,101	23,666,648	20,485,795
Advance Payments to Suppliers .....		11,873,339	40,369,354	26,648,971	24,807,608
Cash in Hand and at Banks .....	(8)	16,719,296	56,845,605	4,404,033	36,412,195
Total Current Assets .....		142,501,293	484,504,396	233,581,754	234,594,221
<b>Long Term Assets</b>					
Fixed Assets (Net) .....	(2B,9)	1,052,432	3,578,270	3,885,167	3,817,434
Deferred Expenses (Net) .....	(2D,10)	581,674	1,977,691	2,636,922	2,834,675
Investment in Marketable Securities .....	(11)	1,570,929	5,341,160	5,341,160	3,756,846
Lease Receivables .....		34,818,446	118,382,718	98,818,566	80,920,455
Total Long Term Assets .....		38,023,481	129,279,839	110,681,816	91,329,410
Total Assets .....		180,524,774	613,784,235	344,263,570	325,923,631
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Due to Banks .....		9,288,414	31,580,608	9,357,010	6,639,990
Current Portion of Long Term Debt .....	(12)	12,955,244	44,047,830	36,448,677	31,811,884
Accounts Payable .....		2,641,324	8,980,504	9,370,309	13,572,072
Provisions .....	(13)	8,879,322	30,189,694	9,795,829	7,236,091
Creditors — Short Term Balances .....		1,061,926	3,610,549	9,463,432	13,591,829
Total Current Liabilities .....		34,826,230	118,409,185	74,435,257	72,851,866
<b>Long Term Liabilities</b>					
Due to Holding Company .....		66,044,853	224,552,500	—	—
Long Term Loans .....	(12)	30,210,730	102,716,484	145,794,703	133,016,079
Total Long Term Liabilities .....		96,255,583	327,268,984	145,794,703	133,016,079
<b>Shareholders' Equity</b>					
Issued and Paid-up Capital .....	(14)	29,411,765	100,000,000	100,000,000	100,000,000
Legal Reserve .....		353,436	1,201,681	1,201,681	865,713
Retained Earnings .....		6,715,273	22,831,929	22,831,929	4,187,563
Net Profit for The Period .....		12,962,487	44,072,456	—	15,002,410
Total Shareholders' Equity .....		49,442,961	168,106,066	124,033,610	120,055,686
Total Liabilities and Shareholders Equity .....		180,524,774	613,784,235	344,263,570	325,923,631

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E.3.40



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## MEDEQUIP FOR TRADING AND CONTRACTING, S.A.E.

INCOME STATEMENT  
for the period from January 1, 1999 to June 30, 1999

	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	30-6-98 L.E.
Net Sales .....	97,096,118	330,126,800	253,496,936	174,912,886
Cost of Goods Sold .....	(67,616,206)	(229,895,100)	(186,245,073)	(129,942,783)
Gross Profit .....	<u>29,479,912</u>	<u>100,231,700</u>	<u>67,251,863</u>	<u>44,970,103</u>
ADD				
Other Income .....	524,887	1,784,616	1,129,355	704,718
Credit Interest .....	189,713	645,025	—	—
Maintenance Revenue .....	1,270,961	4,321,268	2,179,905	1,656,728
	<u>31,465,473</u>	<u>106,982,609</u>	<u>70,561,123</u>	<u>47,331,549</u>
Less				
General and Administrative Expenses .....	(6,778,776)	(23,047,839)	(24,561,320)	(15,002,769)
Depreciation of Fixed Assets .....	(90,264)	(306,898)	(653,346)	—
Amortization of Deferred Expenses .....	(193,891)	(659,231)	(769,076)	—
Financing Expenses .....	(1,951,130)	(6,633,840)	(14,723,456)	(9,962,454)
Provision for Doubtful Account .....	(1,330,567)	(4,523,927)	(2,321,106)	(1,687,254)
Foreign Exchange Differences .....	(24,038)	(81,730)	(212,049)	(127,824)
Management Fees Due to Holding Company .....	(1,453,446)	(4,941,717)	—	—
Total Expenses .....	<u>(11,822,112)</u>	<u>(40,195,182)</u>	<u>(43,240,353)</u>	<u>(26,780,301)</u>
Net Profit for the Period before taxes .....	19,643,361	66,787,427	27,320,770	20,551,248
Income Tax provision .....	(6,680,874)	(22,714,971)	(7,474,723)	(5,548,837)
Net Profit for the Period after taxes .....	<u>12,962,487</u>	<u>44,072,456</u>	<u>19,846,047</u>	<u>15,002,410</u>

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E.3.40

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**Medequip for Trading and Contracting, S.A.E.****NOTES TO THE FINANCIAL POSITION  
As at June 30, 1999****1 — The Company**

Medequip for Trading and Contracting S.A.E., ("Medequip") was incorporated on October 12, 1994 under law 159 of 1981. Medequip is principally involved in the following activities: (i) the sale of medical equipment and, (ii) the construction of medical facilities and related construction activities.

**2) Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below.

**a) Basis of Preparation of Financial Statements**

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

**b) Fixed Assets**

Fixed Assets are stated at historical cost and are depreciated using the straight — line method based on their estimated useful lives. According to the following annual rates:

Assets	Annual Rates
Vehicles .....	12.50%
Electrical Equipment .....	12.50%
Furniture .....	6.00%
Office Equipment .....	12.50%
Telephone Switch Pager .....	12.5-25%
Tools and Fixtures .....	12.50%

**c) Inventory**

Inventory is stated at the lower of cost or net realizable value using the first-in-first-out method.

**d) Deferred Expenses (net)**

Deferred Expenses (net) represent Organization Costs incurred for the purpose of establishing Medequip.

These costs are amortized using the straight-line method over a five-year period (20 per cent.).

**3 — Inventory**

Inventory as of June 30, 1999 amounted to L.E 111,810,581 comprises the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Spare Parts .....	23,731,744	6,979,925
Goods in Transit .....	8,616,311	2,534,209
Medical Equipment .....	24,125,372	7,095,698
Contracting Material .....	55,337,154	16,275,633
	<u>111,810,581</u>	<u>32,885,465</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 174.00.00.00 — Page is valid, no graphics

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**Medequip for Trading and Contracting, S.A.E.****4 — Work in Progress**

Work in Progress as of June 30, 1999 amounted to L.E.129,476,730 comprises the following:

	30-6-99 L.E.	30-6-99 U.S.\$
El Salam Hospital.....	9,627,788	2,831,702
Luxor Hospital.....	3,119,712	917,562
Domyat Hospital.....	5,784,466	1,701,314
62 Bed Projects.....	8,709,196	2,561,528
El Bagour Hospital.....	5,979,448	1,758,661
El Ghanayem Hospital.....	5,069,532	1,491,039
6th of October Hospital.....	25,737,626	7,569,890
Swiss Hotel — Sharm El Shekh.....	55,504,880	16,324,965
Others.....	9,944,082	2,924,730
	<u>129,476,730</u>	<u>38,081,391</u>

**5 — Accounts Receivables**

Accounts Receivables as of June 30, 1999 amounted in L.E.86,787,778 comprise the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Ministry of Health.....	15,844,502	4,660,148
Ministry of Defence.....	11,839,158	3,482,105
Private Medical Centers.....	36,110,267	10,620,667
Several Hospitals.....	29,838,884	8,776,142
	<u>93,632,811</u>	<u>27,539,062</u>
Less		
Provision for Doubtful Account.....	<u>(6,845,033)</u>	<u>(2,013,245)</u>
	<u>86,787,778</u>	<u>25,525,817</u>

**6 — Lease Receivables**

Lease Receivables represent leasing activities for supplying doctor's private practices and medical centers with medical equipment and related spare parts. Average lease terms are five years.

**7 — Debtors — Short Term Balances**

Debtors — Short Term Balances as of June 30, 1999 amounted in L.E.43,062,101 comprises the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Sales Tax.....	6,834,934	2,010,275
Withholding Tax.....	3,560,099	1,047,088
Deposits With Others.....	2,473,790	727,585
Letters of Guarantees.....	5,000,000	1,470,588
Letters of Credit.....	13,240,951	3,894,397
Others.....	9,902,554	2,912,516
	<u>43,062,101</u>	<u>12,665,324</u>

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PCN: 173,100,00.00 -- Page is valid, no graphics

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**Medequip for Trading and Contracting, S.A.E.****8 — Cash in Hand and at Banks**

Cash in Hand and at Banks as of June 30, 1999 amounted in L.E.56,845,605 comprises the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Misc America International Bank — Current Account — L.E. ....	2,173,210	639,179
Int. Islamic Bank .....	339,553	99,869
Arab African Bank .....	1,485,150	436,809
National Bank of Egypt.....	1,053,611	309,886
Other Banks.....	25,661	7,547
Time Deposits.....	50,819,473	14,946,904
Cash in Hand .....	948,947	279,102
	<u>56,845,605</u>	<u>16,719,296</u>

**9 — Fixed Assets (Net)**

Fixed Assets as of June 30, 1999 amounted to L.E.3,578,270 comprise the following:

	Cost 30-6-99 L.E.	Accumulated Depreciation L.E.	Net Value as at 30-06-99 L.E.	Net Value as at 30-06-99 U.S.\$
Vehicles .....	3,031,258	1,192,488	1,838,770	540,815
Electrical Equipment .....	669,737	197,741	471,996	138,822
Furniture .....	1,403,860	358,911	1,044,949	307,338
Office Equipment .....	116,391	33,870	82,521	24,271
Telephone Switch Pager .....	115,124	35,482	79,642	23,424
Tools and Fixtures .....	71,079	10,687	60,392	17,762
	<u>5,407,449</u>	<u>1,829,179</u>	<u>3,578,270</u>	<u>1,052,432</u>

**10 — Deferred Expenses (Net)**

Deferred Expenses (Net) as of June 30, 1999 represent the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Organization Costs (Net) .....	1,977,691	581,674
	<u>1,977,691</u>	<u>581,674</u>

**11 — Investment in Marketable Securities:**

Investment in Marketable Securities as of June 30, 1999 amounted to L.E.5,341,160 comprises the following:

	percentage of participation %	shares value L.E.	number of shares	amount in as at 30-6-99 L.E.	amount in as at 30-6-99 U.S.\$
Rego Company S.A.E .....		100	30,000	3,000,000	882,353
Tanta Scan S.A.E.....	10.80%	10	54,116	541,160	159,164
Incolase Leasing Co. ....	9.00%	10	180,000	1,800,000	529,412
			<u>264,116</u>	<u>5,341,160</u>	<u>1,570,929</u>

**12 — Long Term Loans**

Long Term Loans as of June 30, 1999 amounted in L.E.102,716,484 and the current portion of the above mentioned Long-Term Debt has reached L.E.44,047,830 and is included in the Current Liabilities in the financial Position.

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PGN: 176.00.00.00 - Page is valid, no graphics

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**Medequip for Trading and Contracting, S.A.E.****13 — Provisions**

Provisions as of June 30, 1999 amounted in L.E.30,189,694 comprise the following:

	30/06/99 L.E.	30/06/99 U.S.\$
Provision for Income Taxes.....	30,189,694	8,879,322
	<u>30,189,694</u>	<u>8,879,322</u>

**14 — Capital**

The paid-up capital amounts to L.E.100,000,000 Divided into 1,000,000 shares of L.E.100 per share as follows:

Shareholder's Name	Percentage of participation %	Number of Shares	Amount as at 30-6-99 L.E.	Amount as at 30-6-99 U.S.\$
Holding Company for Financial Investments (Lakah Group) S.A.E. ....	97.800%	978,000	97,800,000	28,764,705
Mr. Ramy Lakah.....	0.065%	650	65,000	19,117
Mr. Michel Lakah.....	0.040%	404	40,400	11,882
Mr. Ramy Mostafa.....	0.330%	3,300	330,000	97,059
Mr. Samy Toutoungy.....	0.626%	6,260	626,000	184,117
Mr. Ramy Aziz.....	0.004%	36	3,600	1,059
Mr. Medhat Sobhy.....	0.813%	8,125	812,500	238,970
Mr. Farouk Abdel Samei.....	0.005%	50	5,000	1,471
Mr. Rafik Shehata.....	0.280%	2,800	280,000	82,353
Mr. Sherif Sharcawy.....	0.005%	50	5,000	1,471
Mrs. Hala El Fouly.....	0.005%	50	5,000	1,471
Mr. Hany Semon.....	0.003%	25	2,500	735
Mrs. Mona A.Gawad.....	0.005%	50	5,000	1,471
Mr. Wageh Shokry Younan.....	0.005%	50	5,000	1,471
Mr. Amgad Zarif.....	0.005%	50	5,000	1,471
Mr. George Shawky Farag.....	0.005%	50	5,000	1,471
Mr. Amir Youhana.....	0.005%	50	5,000	1,471
	<u>100%</u>	<u>1,000,000</u>	<u>100,000,000</u>	<u>29,411,765</u>

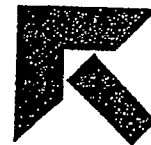
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## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the shareholders of Trading Medical Systems Egypt, S.A.E.

We have audited the financial statements of Trading Medical Systems Egypt, S.A.E. which comprise the balance sheets as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Trading Medical Systems Egypt, S.A.E. as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

September 9, 1999

BOWNE OF LONDON 12/03/1999 08:35 BL/SM CUMULATIVE NEXT PAGE 18.00.00.00 -- Page is valid, no graphics

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## TRADING MEDICAL SYSTEM EGYPT, S.A.E.

FINANCIAL POSITION  
as of June 30, 1999

	Notes	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	30-6-98 L.E.
<b>Assets</b>					
<b>Current Assets</b>					
Inventory .....	(2D,3)	13,737,749	46,708,346	30,872,182	29,957,734
Accounts Receivables (Net) .....	(4)	3,663,022	12,454,276	6,245,694	11,258,077
Lease Receivables .....		3,543,282	12,047,160	12,683,000	10,098,075
Other Debit Balances .....	(5)	7,915,854	26,913,903	25,138,846	18,277,888
Letters of Guarantee (Cash Margin) .....		1,624,004	5,521,614	3,159,400	2,982,202
Cash in Hand and at Banks .....	(6)	4,186,360	14,233,624	2,740,000	1,932,371
<b>Total Current Assets .....</b>		<b>34,670,271</b>	<b>117,878,923</b>	<b>80,839,121</b>	<b>74,506,347</b>
<b>Long Term Assets</b>					
Fixed Assets (Net) .....	(2C,7)	1,001,872	3,406,363	3,807,000	3,599,369
Lease Receivables .....	(8)	19,025,444	64,686,511	68,821,754	69,792,168
<b>Total Long Term Assets .....</b>		<b>20,027,316</b>	<b>68,092,874</b>	<b>72,628,754</b>	<b>73,391,537</b>
<b>Total Assets .....</b>		<b>54,697,587</b>	<b>185,971,797</b>	<b>153,467,875</b>	<b>147,897,884</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Due to Banks .....		11,912,727	40,503,272	44,819,950	38,430,340
Creditors Short-Term .....	(9)	1,576,512	5,360,140	13,093,194	5,360,200
Accounts Payable .....	(10)	1,283,300	4,363,220	3,122,392	6,212,607
Provisions .....	(11)	4,302,995	14,630,182	9,349,587	4,462,089
<b>Total Current Liabilities .....</b>		<b>19,075,534</b>	<b>64,856,814</b>	<b>70,385,123</b>	<b>54,465,236</b>
<b>Long Term Liabilities</b>					
Long Term Loans .....		11,437,742	38,888,322	16,409,497	29,423,538
<b>Total Long Term Liabilities .....</b>		<b>11,437,742</b>	<b>38,888,322</b>	<b>16,409,497</b>	<b>29,423,538</b>
<b>Shareholders' Equity</b>					
Authorized Capital (L.E.50,000,000)					
Issued and Paid-Up Capital .....	(12)	14,705,882	50,000,000	50,000,000	50,000,000
Legal Reserve .....		404,706	1,376,000	1,376,000	427,467
Retained Earnings .....		4,499,192	15,297,255	15,297,255	3,941,870
Net Profit for the Period .....		4,574,531	15,553,406	—	9,639,773
<b>Total Shareholder's Equity .....</b>		<b>24,184,311</b>	<b>82,226,661</b>	<b>66,673,255</b>	<b>64,009,110</b>
<b>Total Liabilities and Shareholders' Equity .....</b>		<b>54,697,587</b>	<b>185,971,797</b>	<b>153,467,875</b>	<b>147,897,884</b>

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E.3.40.

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TRADING MEDICAL SYSTEM EGYPT, S.A.E.

INCOME STATEMENT  
for the period from January 1, 1999 to June 30, 1999

	30.6.99 U.S.\$	30.6.99 L.E.	31.12.98 L.E.	30.6.98 L.E.
Sales .....	36,605,888	124,460,020	138,830,830	99,958,198
Cost of Sales .....	(26,078,190)	(88,665,847)	(103,529,000)	(76,818,518)
Gross Profit .....	<u>10,527,698</u>	<u>35,794,173</u>	<u>35,301,830</u>	<u>23,139,680</u>
Less				
General and Administrative Expenses .....	2,500,472	8,501,604	8,981,407	5,568,472
Financing Expenses .....	970,453	3,299,541	5,951,000	3,213,540
Provision for Doubtful Debts .....	295,112	1,003,381	1,755,009	1,368,907
Depreciation of Fixed Assets .....	117,834	400,637	469,726	255,805
Total Expenses .....	<u>3,883,871</u>	<u>13,205,163</u>	<u>17,157,142</u>	<u>10,406,724</u>
Net Profit For the Period before Taxes .....	<u>6,643,827</u>	<u>22,589,010</u>	<u>18,144,688</u>	<u>12,732,956</u>
Income Tax Provision .....	<u>(2,069,296)</u>	<u>(7,035,604)</u>	<u>(5,620,770)</u>	<u>(3,093,183)</u>
Net Profit For the Period after Taxes .....	<u>4,574,531</u>	<u>15,553,406</u>	<u>12,523,918</u>	<u>9,639,773</u>

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 = L.E.3.40.



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**Trading Medical System Egypt, S.A.E.****NOTES TO THE FINANCIAL POSITION****As of June 30, 1999****1 — The Company**

Trading Medical Systems Egypt S.A.E. "TMSE" was established on December 17, 1994 under the Law No. 159 of 1981. TMSE is involved in marketing, importing, re-exporting, distributing, installing and servicing sophisticated medical imaging equipment.

**2 — Significant Accounting Policies**

The significant accounting policies adopted in the preparation of the financial statements are set out below.

**a) Basis of Preparation of Financial Statements**

The accounts are prepared on the basis of historical cost in accordance with Egyptian Accounting Standards.

**b) Foreign currency**

The company maintains its accounts in Egyptian pounds. Transactions denominated in foreign currencies are translated to Egyptian pounds using the prevailing free market rates at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pounds using the exchange rates prevailing as at the year end. Translation differences are included in the Income Statement.

**c) Fixed Assets**

Fixed Assets are stated at historical cost and are depreciated using the straight-line method over their expected useful lives, according to the following annual rates.

<b>Fixed Assets</b>	<b>Annual Rates</b>
Vehicles .....	25%
Electrical Equipment .....	12.5%
Furniture .....	6-20%
Iron Safe .....	12.5%
Telephone Switch and Pager .....	12.5%
Tools and Fixtures .....	12.5%

**d) Inventory**

Inventory are stated at the lower of cost or net realizable value using the first-in first-out method.

**3 — Inventory**

Inventory as of June 30, 1999 amounted to L.E.46,708,346 represents as follows:

	<b>30-6-99 L.E.</b>	<b>30-6-99 U.S.\$</b>
Goods in Transit .....	8,125,401	2,389,824
Spare Parts .....	20,251,369	5,956,285
Medical Equipment .....	18,331,576	5,391,640
	<u>46,708,346</u>	<u>13,737,749</u>

### Officers' Certificate

February 16, 2000

Dear Sirs:

We, being, respectively, ( Chairman and Co-Chief Executive Officer and Vice – Chairman and Co-Chief Executive Officer) of Holding Company for Financial Investments (Lakah Group) S.A.E., a holding company incorporated with limited liability in the Arab Republic of Egypt ( the "Company"), refer to the Indenture dated as of December 8, 1999 ( the "Indenture") among Lakah Funding Limited ( the "Issuer"), the Company and certain of its operating subsidiaries, including Arab Steel Factory S.A.E., its guarantors, and yourselves, as trustee, pursuant to which the Bonds were issued. Terms defined in the Indenture shall bear the same meanings when used in this Certificate.

In connection with the sale by ASF (the "ASF Sale") of certain of its assets, as more fully described in the resolutions of the Board of Directors of the Company attached hereto as Annex A (the "Resolutions"), and for purposes of demonstrating compliance with the Indenture and the Bonds, including in particular (but without limitation) Sections 1005(e) and (f) of the Indenture and the corresponding Conditions 13 and 14 of the Terms and Conditions of the Bonds, we hereby certify as follows:

1. The ASF Sale was completed as of February 16, 2003.
2. Attached hereto as Annex A are certain Resolutions adopted in a Meeting of the Board of Directors of the Company in connection with the ASF Sale thereof, which Resolutions have not been amended, superseded or repealed since the adoption thereof.
3. As required by Section 1005(e) of the Indenture and the corresponding Condition 13 of the Terms and Conditions of the Bonds, the assets sold by ASF pursuant to the ASF Sale were sold for Fair Market Value (the determination of the Board of Directors of the Company to this effect being evidenced by the Resolutions) and the purchase price received in connection with the ASF Sale was received, in full, by ASF simultaneously with the disposal of the subject assets, 100 % in cash.

68, Merghany St., Heliopolis P.O.Box 177 Heliopolis, Cairo - Egypt  
Tel: (202) 4176224/5/6/7/8 Fax: (202) 4176223

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**Trading Medical System Egypt, S.A.E.****4 — Accounts Receivables (Net)**

Accounts Receivables (Net) as of June 30, 1999 amounted to L.E.12,454,276 represent as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Al Agouza Hospital .....	3,505,698	1,031,088
El Suez Hospital .....	4,500,645	1,323,719
Alfa Scan .....	4,099,971	1,205,874
Ministry of Defense .....	3,106,352	913,633
	<u>15,212,666</u>	<u>4,474,314</u>
Less		
Provision for Doubtful Account .....	(2,758,390)	(811,291)
	<u>12,454,276</u>	<u>3,663,022</u>

**5 — Other Debit Balances**

Other Debit Balances as of June 30, 1999 amounted to L.E.26,913,903 represent as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Tax Authority .....	13,237,137	3,893,275
Deposits with Others .....	4,113,652	1,209,898
Prepaid Expenses .....	6,174,865	1,816,137
Accrued Revenue .....	3,388,249	996,544
	<u>26,913,903</u>	<u>7,915,854</u>

**6 — Cash in Hand and at Banks**

Cash in Hand and at Banks as of June 30, 1999 amounted to L.E.14,233,624 represents as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Banks — Current Accounts .....	14,208,624	4,179,007
Cash in Hand .....	25,000	7,353
	<u>14,233,624</u>	<u>4,186,360</u>

**7 — Fixed Assets**

Fixed Assets as of June 30, 1999 amounted to L.E.3,406,363 represent as follows:

	Cost as of 30-6-99 L.E.	Accumulated depreciation as of 30-6-99 L.E.	Net Value as of 30-6-99 L.E.	Net Value as of 30-6-99 U.S.\$
Vehicles .....	3,548,816	1,033,557	2,515,258	739,782
Electrical Equipment .....	296,038	82,302	213,735	62,863
Furniture .....	1,105,375	709,637	395,738	116,394
Iron Safe .....	17,247	5,180	12,066	3,549
Telephone Switch & Pager .....	312,681	87,386	225,295	66,263
Fire Equipment .....	4,076	1,090	2,987	878
Tools & Fixtures .....	57,600	16,316	41,284	12,142
	<u>5,341,832</u>	<u>1,935,469</u>	<u>3,406,363</u>	<u>1,001,871</u>

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**Trading Medical System Egypt, S.A.E.****8 — Lease Receivables**

TMSE (the "Lessor") entered into Lease contracts through which it leases certain equipment to its clients ("Lessees"). The leased equipment title passes to the Lessee at the end of the lease term (almost five years). Lease receivables represents the total lease payments to be received.

**9 — Creditors Short Term**

Creditors Short Term as of June 30, 1999 amounted to L.E.5,360,140 represented as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Customs Clearance .....	452,685	133,143
Accrued Expenses .....	560,251	164,780
Notes Payable .....	746,606	219,590
Customers — Advance Payments .....	3,600,598	1,058,999
	<u>5,360,140</u>	<u>1,576,512</u>

**10 — Accounts payable**

Accounts payable as of June 30, 1999 amounted to L.E.4,363,220 represented as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Toshiba — Japan .....	4,363,220	1,283,300
	<u>4,363,220</u>	<u>1,283,300</u>

**11 — Provisions**

Provisions as of June 30, 1999 amounted to L.E.14,630,182 represent as follows:

	30-6-99 L.E.	30-6-99 U.S.\$
Income Tax Provision .....	14,630,182	4,302,995
	<u>14,630,182</u>	<u>4,302,995</u>

**12 — Capital**

The Authorized Capital amounts to L.E.50,000,000 and the Issued and Subscribed Capital amount to L.E.50,000,000 divided into 500,000 shares of L.E.100 per share.

Shareholder's Name	Percentage of Participation	Number of shares	Amount 30-6-99 L.E.	Amount 30-6-99 U.S.\$
Holding Company For Financial Investments (Lakah Group) S.A.E. ....	97.60%	488,000	48,800,000	14,352,941
Mr. Ramy Lakah .....	0.35%	1,750	175,000	51,470
Mr. Michel Lakah .....	0.04%	215	21,500	6,323
Mr. Ramy Mostapha .....	0.57%	2,825	282,500	83,088
Mr. Samy Toutoungy .....	0.69%	3,450	345,000	101,470
Mr. Rafik Chehata .....	0.18%	900	90,000	26,470
Mr. Medhat Sobhy .....	0.51%	2,560	256,000	75,294
Mr. Farouk Abdel Samei .....	0.01%	50	5,000	1,471
Mr. Adel Mohamed Kamal El Deen El Shorbagy .....	0.01%	50	5,000	1,471
Mr. Hani Youssef Habeeb Samaan .....	0.01%	50	5,000	1,471
Mr. Ashraf Adly Gad Allah Abou Zeid .....	0.01%	50	5,000	1,471
Mr. Ehab Mohamed El Fouly .....	0.01%	50	5,000	1,471
Mr. Wael Hasan Hasan Zaghloul .....	0.01%	50	5,000	1,471
	<u>100.00%</u>	<u>500,000</u>	<u>50,000,000</u>	<u>14,705,882</u>

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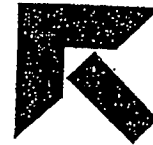
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## Auditor's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the shareholders of Arab Steel Factory, S.A.E.

We have audited the financial statements of Arab Steel Factory, S.A.E. which comprise the balance sheet as at June 30, 1999 and the related statement of income for the six-month period then ended. These financial statements are the responsibility of the company's management. It is our responsibility to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Such standards require that we plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of Arab Steel Factory, S.A.E., as at June 30, 1999 and the results of its operations for the six-month period then ended in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

We obtained all data and explanations which we deemed necessary for our audit. Our audit provides us with reasonable assurance that during the six-month period ended June 30, 1999, the company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements.

Cherif Hammouda

FESAA-FIFA-FEST  
R.A.A. 14260

9 September, 1999

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## ARAB STEEL FACTORY, S.A.E.

FINANCIAL POSITION  
as of June 30, 1999

	Notes	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	30-6-98 L.E.
<b>Assets</b>					
<b>Current Assets</b>					
Inventory.....	(2d,3)	26,412,009	89,800,830	77,309,116	53,032,334
Accounts Receivables.....	4	15,204,213	51,694,323	38,994,632	50,326,748
Debtors — Short Term Balances.....	5	14,726,910	50,071,493	60,551,110	24,065,412
Letters of Credit.....		964,706	3,280,000	—	—
Advance Payments to Suppliers.....	6	2,615,535	8,892,819	6,983,861	1,978,346
Time Deposits.....		317,780	1,080,453	—	—
Cheques under Collection.....	7	5,268,617	17,913,298	—	—
Cash in Hand and at Banks.....	8	213,878	727,186	2,264,423	1,935,647
<b>Total Current Assets.....</b>		<b>65,723,648</b>	<b>223,460,402</b>	<b>186,103,143</b>	<b>131,338,487</b>
<b>Long Term Assets</b>					
Fixed Assets (Net).....	(2c,9)	67,283,936	228,765,383	209,225,914	212,515,421
Deferred Expenses (Net).....	(2f,10)	6,170,659	20,980,242	22,689,747	22,165,505
Long Term Investments.....	11	36,470,588	124,000,000	124,000,000	124,000,000
Projects under Construction.....		—	—	18,219,188	12,584,614
<b>Total Long Term Assets.....</b>		<b>109,925,184</b>	<b>373,745,625</b>	<b>374,134,849</b>	<b>371,265,540</b>
<b>Total Assets.....</b>		<b>175,648,831</b>	<b>597,206,027</b>	<b>560,237,992</b>	<b>502,604,027</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable.....		—	—	—	72,549,406
Due to Banks.....		6,436,349	21,883,585	15,379,832	—
Provisions.....		174,568	593,530	593,530	4,789,521
Creditors — Short Term Balances.....		441,254	1,500,262	6,000,898	—
Other Creditors.....		253,024	860,280	1,676,126	—
Bonds Interest Accrual.....	12	4,227,941	14,375,000	—	—
<b>Total Current Liabilities.....</b>		<b>11,533,134</b>	<b>39,212,657</b>	<b>23,650,386</b>	<b>77,338,927</b>
<b>Long Term Liabilities</b>					
Long Term Loans.....		—	—	4,667,603	149,846,324
Bonds.....	14	73,529,412	250,000,000	250,000,000	—
Creditors — Long Term Balances.....		—	—	2,819,015	3,845,152
<b>Total Long Term Liabilities.....</b>		<b>73,529,412</b>	<b>250,000,000</b>	<b>257,486,618</b>	<b>153,691,476</b>
<b>Shareholders' Equity</b>					
Issued and Paid-Up Capital.....	13	73,529,412	250,000,000	250,000,000	250,000,000
Legal Reserve.....		427,956	1,455,049	1,455,049	—
Retained Earnings.....		8,131,159	27,645,939	—	—
Net Profit For The Period.....		8,497,759	28,892,382	27,645,939	21,573,624
<b>Total Shareholders' Equity.....</b>		<b>90,586,285</b>	<b>307,993,370</b>	<b>279,100,988</b>	<b>271,573,624</b>
<b>Total Liabilities.....</b>		<b>175,648,831</b>	<b>597,206,027</b>	<b>560,237,992</b>	<b>502,604,027</b>

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E.3.40

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**ARAB STEEL FACTORY, S.A.E.**  
**INCOME STATEMENT**  
**for the period from January 1, 1999 to June 30, 1999**

	Note	30-6-99 U.S.\$	30-6-99 L.E.	31-12-98 L.E.	30-6-98 L.E.
Net Sales .....		29,060,486	98,805,653	186,773,448	107,495,590
Cost of Goods Sold .....		(17,606,298)	(59,861,412)	(108,383,061)	(65,572,310)
Less					
Fixed Assets Depreciation .....		(2,578,077)	(8,765,463)	(13,786,392)	(6,893,196)
Pre-production Tests Amortization .....		(95,195)	(323,662)	(647,324)	(315,031)
Gross Profit .....		<u>8,780,916</u>	<u>29,855,116</u>	<u>63,956,671</u>	<u>34,715,053</u>
Less					
General and Administrative Expenses .....		464,968	1,580,891	2,384,457	1,397,681
Financing Expenses .....		371,545	1,263,254	28,548,813	11,119,787
Fixed Assets Depreciation .....		150,956	513,249	1,025,977	354,960
Pre-opening Expenses Amortization .....		407,600	1,385,839	2,771,679	537,013
Miscellaneous Revenue .....		(86,384)	(293,707)	(587,414)	(324,965)
Foreign Exchange Differences .....		15,149	51,506	118,640	56,953
Bonds Interest .....	12	4,227,941	14,375,000	—	—
Total Expenses .....		<u>5,551,775</u>	<u>18,876,032</u>	<u>34,262,152</u>	<u>13,141,429</u>
ADD:					
Extraordinary Gain .....	10	<u>5,268,617</u>	<u>17,913,298</u>	—	—
Net Profit For the period before taxes .....		<u>8,497,758</u>	<u>28,892,382</u>	<u>29,694,519</u>	<u>21,573,624</u>
Taxes Provision .....		—	—	(593,530)	—
Net Profit for the Period After Taxes .....		<u>8,497,758</u>	<u>28,892,382</u>	<u>29,100,989</u>	<u>21,573,624</u>

The accompanying notes are an integral part of the financial position.

The auditor's report is attached.

Note: Solely for the convenience of the reader, the translation Egyptian pounds into U.S. Dollars has been made at the rate of U.S.\$1.00 =

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**Arab Steel Factory, S.A.E.****NOTES TO THE FINANCIAL POSITION****As of June 30, 1999****1) The Company**

Arab Steel Factory, S.A.E. ("Arab Steel") was incorporated in Egypt in December 1994 under the law No. 159 of 1981. Arab Steel is a leading manufacturer in Egypt of steel billets for sale in the Egyptian market. Billet is the raw material required for the manufacture of steel rebar, angels and beams.

**2) Significant Accounting policies**

The significant accounting policies adopted in the preparation of the financial position are set out below.

**a) Accounting basis**

The accounts are made on the basis of the historical cost in accordance with the Egyptian Accounting standards.

**b) Foreign Currency Transactions**

Arab Steel maintains its accounts in Egyptian currency, and it records its foreign currency transactions on the basis of exchange rates at the time of transaction itself. Re-valuation of the accounts is conducted at year-end using the prevailing exchange rates on December 31, 1998.

**c) Fixed Assets**

Fixed Assets are recorded at their historical cost, and are depreciated using the straight-line method for their estimated productive lives according to the following ratios:

<b>Fixed Assets</b>	<b>Annual Rates</b>
Buildings.....	2%
Machinery and Equipment.....	10%
Fixtures.....	20%
Office Furniture and Equipment.....	15%
Vehicles.....	20%
Back House.....	20%

**d) Inventory**

Raw material inventory is priced at cost on a weighted average basis, and finished goods inventories are priced at cost, including raw materials, direct labor and a share of indirect expenses determined on the basis of the normal activity.

**e) Recording Pre-operating Revenues**

The Pre-operating net Revenue is expressed in the amounts due from the goods and services that Arab Steel provides through the experiment period activity on the basis of discounted prices in compliance with the product's life time deducting the commercial discount and the sales tax.

**f) Deferred Expenses**

Pre-opening Expenses amortized over 7 years.

**3) Inventory**

Inventory comprises the following:

	<b>30-6-99 L.E.</b>	<b>30-6-99 U.S.\$</b>
Raw Materials and Scrap.....	60,948,156	17,925,928
Spare Parts Inventory.....	2,967,926	872,820
Goods in Transit.....	12,501,627	3,676,949
Finished Goods.....	13,383,121	3,936,212
	<u>89,800,830</u>	<u>26,411,909</u>



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**Arab Steel Factory, S.A.E.****4) Accounts Receivables**

Accounts receivable comprise the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Suez for Iron Production.....	28,565,753	8,401,692
Counter Steel Co. ....	18,939,022	5,570,301
Others .....	4,189,548	1,232,220
	<u>51,694,323</u>	<u>15,204,213</u>

**5) Debtors — Short Term Balances**

Debtors — Short Term Balances comprise the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Advance Payments to Purchase Fixed Assets .....	5,820,972	1,712,051
Tax Authority .....	23,325,467	6,860,431
Prepaid Expenses.....	2,554,668	751,373
Deposits with Others .....	7,752,178	2,280,052
Customs Clearance.....	1,724,578	507,229
Others .....	8,893,630	2,615,774
	<u>50,071,493</u>	<u>14,726,910</u>

**6) Advance payments to suppliers**

Advance payments to suppliers comprise the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Engineering Company for Pumps .....	824,615	242,534
Elnasr Trading Company .....	1,051,698	309,323
Cultex Company.....	2,254,789	663,173
Merit for Trading and Commerce .....	2,936,249	863,603
Others .....	1,825,468	536,902
	<u>8,892,819</u>	<u>2,615,535</u>

**7) Cheques under collection**

Cheques under collection as of June 30, 1999 amounted to L.E.17,913,298, represent the amounts due from Allied Investors Insurance Company in respect of loss of profit following machinery breakdown.

**8) Cash in hand and at banks**

Cash in Hands and at banks comprises the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Banks — Current Accounts .....	717,006	210,884
Cash in Hand.....	10,180	2,994
	<u>727,186</u>	<u>213,878</u>

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**Arab Steel Factory, S.A.E.****9) Fixed Assets**

Fixed Assets balance reached the amount of L.E. 228,765,383 represents as follows:

	Cost as of 30-6-99	Accumulated Depreciation as of 30-6-99	Net Value as of 30-6-99 L.E.	Net Value as of 30-6-99 U.S.\$
Land.....	48,997,530	0	48,997,530	14,411,038
Buildings and Constructions.....	14,273,250	190,311	14,082,939	4,142,041
Machinery and Equipments.....	166,879,261	22,406,580	144,472,681	42,491,965
Office Equipment and Fixtures.....	859,044	96,983	762,061	224,136
Vehicles.....	4,821,912	1,132,111	3,689,801	1,085,235
Back House.....	18,725,277	1,964,906	16,760,371	4,929,521
	<u>254,556,274</u>	<u>25,790,891</u>	<u>228,765,383</u>	<u>67,283,936</u>

**10) Deferred Expenses (Net)**

Deferred Expenses (Net) comprise the following:

	30-6-99 L.E.	30-6-99 U.S.\$
Prc — Opening Expenses (Net).....	<u>20,980,242</u>	<u>6,170,600</u>
	<u>20,980,242</u>	<u>6,170,600</u>

**11) Long Term Investments**

Long Term Investments amounted to L.E. 124,000,000 represent investments in a new venture, Steel Products Factory, with 35% of total shares.

**12) Bonds Interest Accrual**

Bonds Interest Accrual as of June 30, 1999 amounted to L.E. 14,375,000 represent amounts due to bonds holders accrued after June 30, 1999.

**13) Capital**

The Authorized and Issued and Paid-up Capital amounted to L.E. 250,000,000 divided into 25,000,000 shares with a par value of 10 per Share.

Shareholder's Name and Nationality	Percentage of Participation	Number of Shares	Amount 30-6-99 L.E.	Amount 30-6-99 U.S.\$
The Holding Company for Financial Investments (Lakah Group) S.A.E. ....	97.922%	24,480,400	244,804,000	72,001,177
Mr. Ramy Lakah .....	0.873%	218,300	2,183,000	642,059
Mr. Michel Lakah.....	0.999%	249,800	2,498,000	734,706
Mr. Farouk Abdel Samei .....	0.010%	2,600	26,000	7,647
Mr. Ramy Mostafa .....	0.010%	2,600	26,000	7,647
Mr. Samy Toutoungy.....	0.036%	9,000	90,000	26,471
Mr. Farouf Soliman .....	0.000%	50	500	147
Mr. Hassan Ibrahim Deab.....	0.000%	50	500	147
Mr. Rafik Chchata .....	0.008%	2,000	20,000	5,882
Mr. Mohamed Sherif Farag .....	0.000%	100	1,000	294
Mr. Mohamed El sayed El Dabah .....	0.000%	50	500	147
Mr. Lotfy Laham .....	0.000%	50	500	147
Mr. Medhat Sobhy .....	0.062%	15,500	155,000	45,588
Mr. Ramsis Faltas .....	0.078%	19,500	195,000	57,353
	<u>100%</u>	<u>25,000,000</u>	<u>250,000,000</u>	<u>73,529,412</u>

**14) Bonds**

Bonds amount to L.E. 250 million with an interest rate of 11% and to be amortized after 7 Years .

**15) Taxes:**

Arab Steel enjoys a tax holiday of 10 years starting from the first operating year which was 1998.

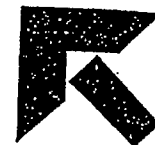
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## Accountant's Report

**Cherif Mohamed Hammouda**

Chartered Accountant

Member of RSM International



To the Board of Directors of  
Holding Company for Financial Investments (Lakah Group), S.A.E.

We have examined the accompanying pro forma consolidated balance sheet of Holding Company for Financial Investments (Lakah Group), S.A.E. and its subsidiaries as at December 31, 1998 and the related income statement for the year then ended (the "Statements") in accordance with International Standards on Auditing applicable to prospective financial information. The pro forma balance sheet and income statement are the responsibility of management.

In our opinion, the Statements have been compiled on the basis stated herein and are presented in accordance with International Accounting Standards and consistent with the accounting policies of the company. The adjustments presented in the Statements have been properly applied to the historical amounts in the compilation of those statements.

Cherif Hammouda

FESSA-FIFA-FEST  
R.A.A. 14260

9 September, 1999

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## Accountant's Report

### Mostafa Shawki & Co Deloitte & Touche



153 Mohamed Farid St.  
Bank Mist Tower  
P.O. Box 2095  
Cairo 11511

Telephone: (02) 391.7299  
(02) 392.6000  
Facsimile: (02) 393.9430  
Email: mshawki@mshawki.com

To the Board of Directors of  
the Holding Company for Financial Investments  
(Lakah Group),  
S.A.E.

We have examined the accompanying pro-forma consolidated balance sheet of the Holding Company for Financial Investments (Lakah Group S.A.E.) as at December 31, 1998 and the related income statement for the year then ended in accordance with the International Standards on Auditing applicable to prospective financial information. The pro-forma balance sheet and income statement, the attached notes on which they are based, are the responsibility of the management.

The statements have been prepared for illustrative purposes only and, because of their nature may not give a true picture of the financial position or results of the Holding Company for Financial Investments — (Lakah Group S.A.E.).

In our opinion, the statements have been properly compiled on the basis stated herein and are presented in accordance with International Accounting Standards and in compliance with applicable Egyptian laws and regulations and consistent with the accounting policies of the Holding Company for Financial Investments (Lakah Group, S.A.E.) The adjustments presented in the statements are appropriate for the purposes of the pro forma information, and have been properly applied to the historical amounts in the completion of those statements.

Mostafa Shawki & Co  
Deloitte & Touche

27 September, 1999

**Deloitte Touche  
Tohmatsu**

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS  
(LAKAH GROUP), S.A.E.**

**PRO-FORMA CONSOLIDATED BALANCE SHEET  
as at December 31, 1998**

	Consolidation L.E.	Consolidation U.S.\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalent.....	60,292,576	17,733,111
Debtors Short Term Balances (Net).....	495,668,877	145,784,963
Inventory.....	194,697,123	57,263,860
Work in Progress.....	104,770,319	30,814,800
<b>Total Current Assets</b> .....	<u>855,428,895</u>	<u>251,596,734</u>
<b>Long Term Assets</b>		
Accounts Receivables — Long Term.....	167,640,320	49,305,976
Long Term Investments.....	258,628,063	76,067,077
Fixed Assets (Net).....	354,338,029	104,217,067
Projects under Construction.....	136,506,211	40,148,886
Goodwill.....	252,776,691	74,346,086
Deferred Expenses (Net).....	34,340,047	10,100,014
<b>Total Long Term Assets</b> .....	<u>1,204,229,361</u>	<u>354,185,106</u>
<b>Total Assets</b> .....	<u>2,059,658,256</u>	<u>605,781,840</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Due to Banks.....	171,858,623	50,546,654
Current Portion of Long Term Debt.....	36,448,677	10,720,199
Creditors Short Term Balances.....	177,951,638	52,338,717
Provisions.....	22,655,980	6,663,524
<b>Total Current Liabilities</b> .....	<u>408,914,918</u>	<u>120,269,094</u>
<b>Long Term Liabilities</b>		
Long Term Loans.....	197,470,161	58,079,459
Bonds.....	250,000,000	73,529,412
Creditors — Long Term Balances.....	13,459,153	3,958,574
<b>Total Long Term Liabilities</b> .....	<u>460,929,314</u>	<u>135,567,445</u>
<b>Minority Interest in Subsidiary Companies</b> .....	39,934,024	11,745,301
<b>Shareholder's Equity:</b>		
Issued and Paid up Capital.....	1,149,880,000	338,200,000
<b>Total Shareholder's Equity</b> .....	<u>1,149,880,000</u>	<u>338,200,000</u>
<b>Total Liabilities and Shareholders' Equity</b> .....	<u>2,059,658,256</u>	<u>605,781,840</u>

Auditor's report attached.

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E. 3.40

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**HOLDING COMPANY FOR FINANCIAL INVESTMENTS  
(LAKAH GROUP), S.A.E.**

**PRO-FORMA CONSOLIDATED INCOME STATEMENT  
for the year ending December 31, 1998**

	Consolidation L.E.	Consolidation U.S.
Net Sales.....	649,908,794	191,149,645
Less		
Cost of Sales.....	(439,003,194)	(129,118,586)
Gross Profit.....	<u>210,905,600</u>	<u>62,031,059</u>
Less		
General and Administrative Expenses .....	40,239,567	11,835,167
Financing Expenses.....	57,929,846	17,038,190
Depreciation and Amortization .....	1,495,703	439,913
Foreign Exchange Differences.....	353,010	103,826
Provision for Doubtful Accounts.....	4,997,615	1,469,887
Total Expenses .....	<u>105,015,741</u>	<u>30,886,983</u>
Net profit for the period before minority interest and income taxes.....	<u>105,889,859</u>	<u>31,144,076</u>
Minority Interest.....	(4,219,614)	(1,241,063)
Provision for Income Taxes.....	<u>(15,650,747)</u>	<u>(4,603,161)</u>
Net Profit for the Year .....	<u>86,019,498</u>	<u>25,299,852</u>
Earnings per Share.....	0.75	0.22

Auditor's report attached.

Note: Solely for the convenience of the reader, the translation of Egyptian pounds into U.S. Dollars has been made at the rate of  
U.S.\$1.00 = L.E.3.40

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**Holding Company for Financial Investments (Lakah Group), S.A.E.****Basis of Preparation**

The statements were prepared on the following basis:

- The audited consolidated financial statements of Holding Company for Financial Investments (Lakah Group), S.A.E. as at and for the year ended December 31, 1998.
- The following transfers of shares of the target companies were made on the terms specified below, and the transfer price was received by the respective transferors, as at January 1, 1998.
- Long Term Investments were reduced by the Total Transfer Price for each company and Cash in Hand and Cash Equivalent was increased by a similar amount.

Name of Target Company	Name of Transferor	Number of Shares Transferred	Transfer Price EE <sup>(1)</sup>
Scandinavian for Investment and Touristic Development — L.t.d....	Lakah Holding	391,950	39,195,000
Delta Sound Co.....	IIC <sup>(2)</sup>	1,000	25,000
House of Art.....	IIC	3,000	75,000
Irena for Art Production.....	IIC	2,500	62,500
First Power.....	IIC	50,000	1,250,000
International Co for Touristic and Real Estate Investment.....	IIC	20,000	1,000,000
Suez Company for Iron Works.....	IIC	4,998	1,094,452

**Notes:**

- (1) Price per share is equal to the paid-in portion of the par value of the relevant shares which was 25 per cent. for all target companies, except for Scandinavian for Investment and Touristic Development — L.t.d. which was fully paid and International Co for Touristic and Real Investment which was paid in as to 50 per cent.
- (2) IIC is Industrial Investments Co., S.A.E., formerly Ennpain for Real Estate Investment.

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Lakah Funding Limited  
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 P.O. Box 662  
 Road Town, Tortola  
 British Virgin Islands

## GUARANTORS

Holding Company for Financial Investments (Lakah Group), S.A.E	Medequip for Trading and Contracting, S.A.E	Trading Medical System Equipment, S.A.E.	Arab Steel Factory, S.A.E.
---	--	---	-------------------------------

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